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AFRIQUE ET DEVELOPPEMENT

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CONTENTS — SOMMAIRE

C. ATTA-MILLS

Editorial Note / Note de l'Editeur 1

W. WAGACHA

Adjustment under Crisis Conditions in Africa: African Monetary Fund Concept. 5

Makhtar DIOUF

Les Fondements Théoriques des Politiques d'Ajustement du FMI dans les Pays Sous-Développés 36

Ajit SINGH

The Continuing Crisis of the Tanzania Economy: The Political Economy of Alternative Policy Options..... 51

Horace CAMPBELL

The Budget and the People 72

Habib El MALKI

Crise Economique et Financière — Austérité & FMI: Le Cas du Maroc 90

Najib AKESBI

Programme d'Ajustement Structurel du FMI..... 101

Eboe HUTCHFUL

IMF Adjustment Policies in Ghana since 1966 122

Bank of Ghana

Ghana's Stabilization Measures and the IMF: A Case Study 137

Bamba MOUSSA

Les Mesures de Réajustement de l'Economie Ivoirienne face à la Crise Economique Mondiale : Leurs Résultats et leurs Implications Sociales . 150

Alain CURNANEL

FMI en Guinée: Un Programme très Contestable..... 161

Yusufa Usman BALA

Understanding and Resolving the Current Economic Crisis in Nigeria 169

Akinola A. OWOSEKUN

A Case Study of Stabilization Measures in Nigeria..... 208

J. O. ADERIBIGBE

The Current Austerity Measures and their Impact on the Nigerian Economy 217

Thandika MKANDAWIRE

«Home Grown» (?) Austerity Measures: The Case of Zimbabwe ... 236

Fernando ROJAS

The IMF and the Adjustment of the Colombian Economy to Recession 264

DOCUMENTS

Kighoma A. MALIMA

The IMF and World Bank Conditionality: Tanzanian Case 285

«The Zaria Declaration of African Social Scientists on the Adjustment of the African Economies to the World

Economic Crisis» (English and French) 298

ANNOUNCEMENT

J. F. RWEYEMAMU MEMORIAL AWARD—1985

The Secretariat of this award regrets to inform candidates and other African Researchers that the jury has decided not to give the award this year as a result of poor quality and small number of the contributions received. However, it is pleased to inform them that the award is open again for 1986. Details related to new criteria of selection and time schedule will be announced as soon as they are set.

ANNONCE

PRIX ANNUEL J. F. RWEYEMAMU 1985

Le Secrétariat de ce prix a le regret d'informer les candidats et autres chercheurs africains que le jury a décidé de ne pas décerner le prix par suite du faible nombre de contributions reçues et de leur niveau plutôt bas. Cependant, il a le plaisir de les informer que le prix a été reconduit pour 1986. Les détails concernant les nouveaux critères de sélection ainsi que les délais seront annoncés dès qu'ils seront fixés.

NOTE DE L'EDITEUR*

Ce numéro double sur l'Ajustement des Economies Africaines à la Crise Economique Mondiale est le produit d'un long processus qui a pris fin avec l'organisation d'une conférence par le CODESRIA et le CSER (Centre de Recherches Economiques et Sociales, Université Ahmadu Bello, Zaria, Nigéria) du 11 au 17 Mars 1985, à Zaria.

En effet, le CODESRIA, organe de promotion de la recherche en sciences sociales en Afrique, était préoccupé par l'absence de travaux analytiques fouillés sur les problèmes africains d'ajustement causés par la crise, alors que la quasi-totalité des pays du continent doit faire face à des déficits de balances de paiement, un endettement accru, et un service de la dette de plus en plus lourd, aggravé ces dernières années par la poussée constante du cours du dollar américain.

Depuis 1980 un nombre croissant de gouvernements africains se voient obligés de négocier avec le Fonds Monétaire International et de conclure des accords (dévaluations massives, réductions des budgets des Etats, suppression des subventions aux produits de consommation de masse, libéralisation des régimes d'échanges et de paiements extérieurs) qui ont souvent eu des conséquences sévères au plan social.

Et surtout, les mesures adoptées à la suite de ces accords qui devaient ré-équilibrer la balance des paiements se sont avérées non seulement malvenues au plan politique mais même défectueuses au plan économique. La réaction des secteurs externes à ces mesures a été tout au plus marginale alors que manifestement le chômage et l'inflation accrus, le quasi-arrêt de l'accumulation interne du capital, l'écroulement de l'appareil productif ainsi que des disparités de plus en plus criardes entre les revenus sont choses flagrantes.

Le secret qui entoure souvent les négociations de ces accords (HUTCHFUL) et les missions du FMI et de la Banque Mondiale qui les précèdent, donnent en général l'impression qu'en Afrique les mesures d'ajustement «sont imposées de l'extérieur ou visent uniquement à rembourser les banques étrangères» (1). C'est cette impression générale qui a amené le Président Julius NYERERE lui-même à poser des questions poignantes : «Depuis quand le FMI est-il devenu un Ministère International des Finances ? Depuis quand les nations ont-elles accepté de lui céder leur pouvoir de décision» ? (2).

Dans le cadre de sa «contribution à une meilleure connaissance de l'expérience africaine», le CODESRIA a tout d'abord demandé en 1983 au Dr. Norman GIRVAN de la Jamaïque qui venait de participer aux négociations entre son pays et le FMI, de rédiger un mémorandum à l'intention de chercheurs qui souhaiteraient éventuellement étudier les relations entre les pays africains et le FMI. Il a donc tout naturellement mis l'accent sur le

* Copies of this special issue, with the Editorial Note and the Zaria Declaration in English — are available at CODESRIA.

II

processus de négociation dans l'intention d'encourager les chercheurs à entreprendre une analyse technique et politique approfondie de certains des accords les plus récents entre le FMI et les pays africains en vue d'un renforcement des stratégies de négociation des gouvernements africains. En effet comme le Dr. GIRVAN en a fait le constat, «s'il ne fait aucun doute que de nombreux pays africains ont été forcés d'adopter les mesures imposées par le FMI parce qu'ils pensaient qu'il n'existait pas d'autres solutions viables, leur attitude s'explique également par le fait que les gouvernements, pris isolément, n'ont pas suffisamment d'expérience et d'expertise pour opposer aux arguments techniques du FMI d'autres arguments et d'autres stratégies qui pourraient refléter un compromis plus satisfaisant entre les exigences du FMI et les besoins, les objectifs des pays africains».

Dès les premiers mois de l'année 1984, le CODESRIA a formellement lancé un projet de recherche sur l'anatomie de la crise et les problèmes d'ajustement des économies africaines. Tout en insistant toujours sur les relations des pays africains avec le FMI (s'agissant notamment des problèmes d'ajustement), dans sa présentation du projet de recherche le CODESRIA a soulevé des questions qui devaient aboutir à la détermination des processus tant nationaux qu'internationaux qui sont à l'origine de la situation économique mondiale actuelle. Ceci impliquait que le cadre de la recherche devait nécessairement être élargi pour englober l'étude de la nature de la crise du système mondial capitaliste, l'analyse des systèmes internationaux d'échanges : monnaie et paiement, de la structure d'intégration des pays africains au sein de la Division Internationale du Travail qui est elle-même liée aux stratégies de développement poursuivies dans les différents pays africains et aux alliances de classes assurant leur consolidation. A cet effet, un certain nombre de pays dont les structures économiques, la base de ressources, les idéologies politiques varient et qui sont plus ou moins parvenus à un compromis avec le FMI : (a) les pays n'ayant conclu aucun accord avec le FMI ; (b) les pays ayant conclu des accords ; (c) les pays appliquant de façon progressive et sélective des mesures identiques à celles du FMI et niant, du moins pour le moment, avoir conclu un quelconque accord avec le Fonds) ont été sélectionnés de façon à représenter le plus large échantillon possible d'expériences africaines en ce domaine.

Les récents événements du Nigéria ont quelque peu accéléré l'exécution de ce projet. En effet, nos collègues du Centre de Recherches Economiques et Sociales de l'Université Ahmadu Bello, Zaria (Nigéria) ont pris l'initiative d'inviter des chercheurs et des responsables gouvernementaux pour étudier l'impact des diverses mesures d'austérité prises par le gouvernement et de la politique implicite de privatisation des entreprises publiques au Nigéria. Ils ont demandé au CODESRIA d'inscrire cette initiative dans son projet global, et c'est avec enthousiasme que le CODESRIA a accédé à leur requête.

III

Les articles contenus dans ce numéro double sont pour une grande part (mais pas exclusivement) ces mêmes communications présentées lors de la conférence conjointe CODESRIA/CSER sur «l'Ajustement des Economies Africaines à la Crise Economique Mondiale». En fait, depuis l'annonce du projet du CODESRIA sur le FMI et les problèmes d'ajustement des pays africains provoqués par la crise, des articles sur ce sujet ont commencé à nous parvenir. Les lecteurs se rappelleront que deux articles de Eboe HUTCHFUL et Ajit SINGH sur les expériences respectives du Ghana et de la Tanzanie avaient été publiés dans le volume IX, No. 2 de *Afrique et Développement*. D'autres articles qui nous sont parvenus par la suite (notamment ceux de WAGACHA, de CAMPBELL, de MKANDAWIRE ainsi que les articles préparés pour la conférence prévue par la Fondation Friedrich Ebert sur le FMI) ont été retenus pour étude en vue de leur publication dans le présent numéro en même temps que les articles présentés à la conférence organisée conjointement par le CODESRIA et le CSER.

Même dans le cadre d'un numéro double, il s'est avéré impossible de publier tous les articles dont disposait le CODESRIA ou qui avaient été présentés à la conférence. Il nous fallait par conséquent limiter notre choix à quelques études de cas très intéressantes en nous efforçant de retenir autant que possible deux articles au moins par cas de façon à fournir aux lecteurs deux perspectives différentes pour chaque cas.

Les articles de WAGACHA et de DIOUF sont de toute évidence des articles primordiaux qui s'efforcent d'examiner la logique interne du modèle théorique du FMI, base d'analyse des programmes et des conditionalités du Fonds. WAGACHA ne s'arrête pas là cependant ; il développe le concept du Fonds Monétaire Africain qu'il perçoit «non pas comme un organisme de remplacement d'autres organismes de financement ou comme une solution de rechange» mais comme un Fonds dont l'objectif essentiel est de tendre vers l'ajustement à long terme, de renforcer les capacités internes d'offre et la promotion de la coopération et des échanges inter-africains.

L'intérêt de l'expérience tanzanienne réside moins dans son caractère unique que dans la résistance apparente mais ostentatoire du Leader Tanzanien aux exigences du FMI. Dans son article, SINGH tente de situer les points majeurs de discordance entre le Fonds et la Tanzanie tout en étudiant par ailleurs l'analytique des autres options macro-économiques. Il définit également de façon très intéressante le concept de déséquilibre structurel à long terme qui fait écho à la préoccupation de DIOUF, à savoir que : l'économiste du FMI ne sait rien, semble-t-il des conditions de limite de l'équilibre social. En s'appuyant sur le budget de 1984, CAMPBELL tente de «pénétrer l'essence de la direction économique actuelle» et de produire des «preuves de la bonne ou de la mauvaise gestion de l'économie». Il appartient cependant au lecteur de déterminer si CAMPBELL abonde dans le sens de SINGH qui pense que «ce qui a fait la force de ces institutions,

c'est précisément le fait que les dirigeants tanzaniens sont déterminés à suivre une voie indépendante fondée sur des principes socialistes égauxitaires et à ne pas accepter de s'engager servilement dans la voie de l'ajustement capitaliste imposée par le FMI». Pour étayer l'analyse, nous avons décidé de publier dans *Afrique et Développement*, à titre de document, le discours du Dr. Kighoma A. MALIMA, Ministre du Plan et de l'Economie de la République Unie de Tanzanie. Le cas du Maroc est instructif en ce sens qu'il permet de déterminer si l'idée couramment admise que les programmes du FMI ont un caractère uniforme est fondée. Bien que le niveau de déséquilibre de la balance des paiements n'ait rien d'extraordinaire si on se réfère aux normes africaines, les perspectives d'ajustement du Maroc se compliquent en raison de deux facteurs : (i) l'élargissement de la CEE à l'Espagne et au Portugal, tous deux concurrents directs du Maroc pour ses exportations de produits agricoles ; (ii) l'incidence de la récession dans les pays occidentaux non seulement sur les recettes touristiques mais aussi sur les envois de fonds des travailleurs émigrés, qui constituaient auparavant 40% des recettes d'exportation. El-MALKI et AKESBI analysent les programmes d'ajustement structurel négociés avec le Fonds depuis 1983 pour en mettre en évidence la logique.

A l'instar de la Tanzanie, le Ghana et le Zimbabwe posent un problème intéressant : celui des conditions politiques à remplir avant que des régimes qui prétendent représenter les travailleurs, le paysannat et les classes démunies puissent permettre un arrangement avec le FMI. La Banque du Ghana donne les raisons techniques pour lesquelles depuis 1966 le Ghana recourt aux mesures de stabilisation du FMI et adhère ou non aux objectifs des tests de performance. Eboe HUTCHFUL adopte une approche différente et s'appesantit sur les aspects politiques et économiques des politiques d'ajustement depuis 1966 et en particulier sur les événements qui ont suivi le Plan de Redressement Economique de 1983. Thandika MKANDA-WIRE traite, selon une approche similaire, de l'histoire récente de l'économie du Zimbabwe.

Les cas de la Côte d'Ivoire et de la Colombie présentent des analogies frappantes mais aussi des différences majeures. D'une part : (1) pour ce qui est des échanges officiels tout au moins, les deux pays sont tributaires du café (et du cacao pour la Côte d'Ivoire) dont les cours étaient exceptionnels de 1976 à 1979 ; (2) pendant cette période, d'importants programmes d'investissement public financés par des crédits commerciaux facilement accessibles ont été entrepris, eu égard à la conjoncture internationale favorable ; (3) la chute vertigineuse des cours du café et du cacao depuis 1980 est directement responsable du déséquilibre de la balance des paiements. D'autre part, (a) l'existence en Colombie de syndicats, d'associations de paysans et de citoyens bien organisés ainsi que de «guérillas» qui limitent les possibilités de mise en œuvre de stratégies pro-capitalistes pour résoudre la crise, rend difficile tout compromis avec le FMI. (b) Les exportations de

la Colombie sont pour une grande part «occultes» et pour des raisons évidentes il n'est pas de l'intérêt des pays occidentaux (spécialement des Etats-Unis) que la promotion de ces exportations serve de support à l'équilibre du secteur extérieur. (c) En raison de son appartenance à la zone franc, la Côte d'Ivoire connaît de sérieuses contraintes dans la poursuite de sa politique monétaire et de sa politique de taux de change. La Colombie est par contre un véritable laboratoire d'expérimentation en matière de politiques de taux de change. Elle a, entre autres, fait l'expérience (intéressante pour l'Afrique) de maintenir le taux officiel de change au-dessous de celui du marché parallèle. Les articles de Bamba MOUSSA et de ROJAS exposent donc les stratégies du FMI à l'endroit de la Côte d'Ivoire et de la Colombie. L'article de CURNANEL sur les relations de la Guinée avec le FMI nous est parvenu en dernière minute. Nous avons décidé de le publier pour la raison évidente que très peu de travaux ont été entrepris à ce jour sur le cas de la Guinée. Enfin, parmi les études de cas présentées dans ce numéro double nous avons les articles de Bala USMAN, de OWOSEKUN et de ADERIBIGBE qui analysent la crise au Nigéria sous différents angles...

Dans ce numéro paraît également, à titre de document, un des résultats de la conférence : «La Déclaration de Zaria des Spécialistes Africains en Sciences Sociales sur l'Ajustement des Economies Africaines à la Crise Economique Mondiale». Cette déclaration part du principe que les économies africaines sont confrontées à une crise dont les manifestations ne sont que trop évidentes. Ce sont la «survie même de l'Etat en Afrique, la légitimité des régimes en place et la perpétuation du régime impérial» (p. 301) qui sont en jeu. A partir de là, ce document procède à une analyse socio-politique des pays africains pour tenter d'expliquer les réactions des gouvernements africains et de la communauté internationale à la crise et de déterminer les divers scénarios auxquels sont confrontés les pays du Tiers-Monde en général et les pays africains en particulier. La seule véritable solution offerte aux gouvernements africains, selon la Déclaration, est de «rompre radicalement avec le FMI et la Banque Mondiale, ce qui implique une transformation fondamentale nécessaire de la Division Internationale du Travail existante et la recherche effective d'autres modèles de développement fondés sur la solidarité sous-régionale, régionale et Sud-Sud». Le succès de cette stratégie sera fonction du niveau de démocratisation des processus économiques et politiques des divers pays et de l'évolution de la composition du groupe des pays du Tiers-Monde à l'avant-garde du Mouvement Tiers-Mondiste.

Néanmoins la Déclaration n'est pas explicite sur la question fondamentale de savoir si la crise en Afrique est le produit d'une «crise» au centre du système mondial capitaliste et, si c'est le cas, elle ne pose pas la question de savoir quelle est la nature de cette crise ? Des divergences d'opinions ont surgi à ce niveau entre les participants à la conférence.

VI

La principale question posée par les participants est celle de savoir dans quelle mesure on peut se servir automatiquement et systématiquement du terme de « crise » pour qualifier des changements de rythme de l'activité économique au niveau du système capitaliste du centre qui, au plan structurel se caractérise par des phases alternées d'expansion et de déflation.

D'aucuns ont avancé qu'il est difficile de parler de crise généralisée du Capital ou du Capitalisme Central (dans son ensemble) depuis la fin des années 60, parce que d'une part, la récession que connaît le « Centre » depuis près de quinze ans ne ressemble en rien aux dépressions de 1875-1890 et de 1920-1930, et d'autre part les chiffres de taux de croissance et de chômage au centre (même en Grande Bretagne et aux USA) ne peuvent non seulement pas être comparés à ceux qui avaient prévalu lors des dépressions précédentes mais apparaîtraient même ridiculement élevés/faibles par rapport à ceux de la périphérie.

Cela revient à dire que « la Crise » du centre (si crise il y a) n'a pas le caractère de drame humain qu'elle revêt dans le Tiers-Monde et notamment en Afrique où la famine généralisée est un fait réel vécu par de nombreux pays, une menace pour d'autres et où l'émigration massive d'un pays africain à un autre qui aboutit en général à des expulsions, les « émeutes de la faim » et les situations socio-politiques explosives sont la règle.

Toujours selon les tenants de cette théorie de la « crise », il est impossible de ne pas remarquer que le concept de « crise » généralement admis (par l'opinion publique internationale) correspond toujours aux préoccupations des groupes sociaux dominants sur la scène mondiale. Ainsi avons-nous la « crise de l'OPEP », la « crise de l'endettement » du Tiers-Monde, la « crise » de la balance de paiements des pays en développement (mais non pas celle des USA) etc...

Le terme « crise » ne joue-t-il pas un rôle idéologique indispensable dans l'intériorisation et le renforcement des rapports de domination ? Si par conséquent les groupes dominés admettent que la détérioration de leur situation est due à la crise (crise dont personne n'est responsable), ils ne peuvent qu'accepter de payer le prix et faire preuve de solidarité avec les groupes dominants dans leur lutte pour juguler la crise. Sur le plan international, la « crise » justifierait par conséquent le refus du « Nord » industrialisé de transférer véritablement des ressources au Tiers-Monde, ainsi que les mesures de protectionnisme, les taux d'intérêts exorbitants et l'imposition par le FMI de mesures de stabilisation.

Enfin l'utilisation du terme « crise » est une menace implicite à la primauté du Capital ; or (grâce aux innovations technologiques en matière de micro-électronique, de robotisation et d'automatisation) on vit à l'heure actuelle une situation où une occasion inégalée est donnée au capital de restructurer à volonté la Division Internationale du Travail et les rapports de production, d'autant plus que les contradictions entre les pays du centre

VII

revêtent un caractère secondaire. Il vaudrait mieux attribuer la situation actuelle à des «dérèglements» ou «perturbations» du système capitaliste central, dûs à l'absence de correspondance entre le pouvoir (potentiel et réel) du capital et la législation anachronique et contraignante du travail au centre ; le dynamisme et l'hégémonie (désormais contestés) de l'économie américaine, l'essor de l'Europe de l'Ouest et du Japon, d'une part, et le maintien persistant du dollar comme monnaie d'échange dans le système monétaire et de paiements international, d'autre part.

Bien que n'entraînant pas de changements fondamentaux dans le système économique et monétaire international, ces «dérèglements» ou «perturbations» dans les pays capitalistes du centre, notamment les mesures de redressement prises à cet égard, sont susceptibles de causer des problèmes prenant des proportions de crise, tant pour les salariés du Centre que pour les pays de la périphérie (balance de paiements, crise de l'endettement etc...). Dans les pays de la périphérie en particulier ces problèmes pourraient bien se traduire par une crise de l'accumulation puisque le poids de l'endettement, le protectionnisme et les politiques d'ajustement préconisées par le FMI ou négociées avec celui-ci pourraient bloquer les anciennes stratégies de développement (industrialisation de substitution à l'importation, croissance extravertie etc...). Cependant pour la majorité des participants il y aurait effectivement «crise». En d'autres termes le système, mondial capitaliste serait en pleine crise depuis la fin des années 60, ce qui fait penser au fameux cycle de Kondratieff.

Selon ce point de vue qui définit la «crise» comme une période de rupture d'équilibre, de remise en cause des éléments fondamentaux d'un système, chaque phase d'expansion du capitalisme se caractérise par: (1) un modèle d'accumulation bien défini et l'existence d'industries de pointe ; (2) une organisation particulière de la Division Internationale du Travail ainsi qu'un certain équilibre (ou déséquilibre caractérisé par la domination d'un pays) entre les pays capitalistes du centre. Ces éléments déterminent à leur tour le type d'alliance (de classes) correspondant au modèle d'accumulation (3).

Toujours selon ce point de vue, la crise actuelle tient essentiellement à l'essoufflement du modèle d'accumulation fondé sur le «Fordisme» (expansion systématique et équilibrée de la production et de la consommation de masse) et, avec lui, de la Démocratie Sociale (association sociale du capital et du travail qui se traduit par des conventions collectives, des augmentations de salaires dictées par la productivité, l'établissement d'un Etat-providence).

Toujours selon les défenseurs de ce point de vue, ce modèle est menacé principalement par la chute des profits, le vaste désenchantement qu'il a suscité dans la classe ouvrière, la montée des forces socialistes et du militantisme dans le Tiers-Monde. Les pays capitalistes vont par conséquent devoir rétablir la primauté absolue du capital et les taux de profit ; ce qui va

VIII

nécessiter non seulement des amendements du «contrat» social, dans les pays industrialisés mais aussi un nouveau mode d'insertion du Tiers-Monde dans la Division Internationale du Travail.

Au centre (grâce à l'économie reaganienne ou au thatchérisme) c'est en affaiblissant les syndicats, en démantelant l'Etat-providence, en se servant des nouvelles technologies que seront sapés les acquis des travailleurs, alors qu'à l'échelle mondiale, la stratégie du capital visera à la rationalisation plutôt qu'à l'expansion de l'investissement productif, ce qui implique la relocalisation de la production dans les pays où les syndicats ne sont pas puissants, où les salaires sont bas et où règne la stabilité politique, des périodes d'amortissement courtes, des investissements garantis et subventionnés par l'Etat, etc... Face à cette situation, les Etats-Unis tentent dans leur politique fiscale et monétaire (notamment les taux d'intérêt élevés, la surévaluation du dollar) de rétablir leur domination sur l'Europe de l'Ouest et le Japon.

Les débats nous ont convaincus de l'ampleur de la tâche qu'implique pour les spécialistes africains en sciences sociales, la définition de la nature de la mutation qui prévaut au niveau de l'économie mondiale, de la place de l'Afrique dans la Division Internationale du Travail et des processus d'ajustement et de leurs implications. Nous osons croire que ces articles marqueront le démarrage d'une recherche plus fondamentale sur ces aspects.

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Cadman-Atta MILLS.

N.B./ L'original de cette note est en anglais.

ADJUSTEMENT UNDER CRISIS CONDITIONS IN AFRICA: IMF VIEWS AND THE AFRICAN MONETARY FUND CONCEPT

By

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Among the past few decades of Africa's economic development, none has proved as catastrophic and uncertain as the 1980s. Crisis has been imposed upon crisis in almost every country with inclement natural factors working to further deepen each one. In tandem with the real-world crisis, policy-makers also find the 1980s marked with an analytical emptiness so deep that what conventional wisdom there was on Africa's earlier economic performance is under critical appraisal.

In the re-assessment and the debates which inevitably ensue it is important to broadly separate the contributing factors to the crisis in the order of their sources in the macro-economy. The separation facilitates analytical progress and the contribution of new approaches specific to each problem area of the economic malaise.

This article concerns the long-running debate on the role of international financing agencies (particularly the IMF) and the conditionalities placed on external resources under their control or influence. With little common ground having been found in the debate, internal reflection among African monetary authorities has turned to the possibilities of establishing autonomous monetary and financial institutions with exclusive focus on the African problem. One such organ is an African Monetary Fund. In some circles, the idea is discussed as a means of pooling and using Africa's meagre financial resources in new ways and as a continental forum for new economic thinking on monetary and financial issues (1). The primary question that arises is whether the African arguments in the debate as well as the new initiative, if carried through, offer new and distinctive possibilities in the financing of adjustment and the development process. This paper sets up the debate on IMF programmes and conditionalities as a sounding board for proposing a number of new directions in the discussion of the African Monetary Fund (AfMF) idea. The plan of the paper is as follows.

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Some of the ideas in this paper are developed from the author's study entitled The African Monetary Fund: Adjustment Problems of African Countries, Proposed Facilities and Conditionalities: (April 1984), issued by the African Centre for Monetary Studies and submitted to the ECA as the A.C.M.S. contribution to the draft technical feasibility study for the African Monetary Fund. The views in the paper are the author's own and not those of the A.C.M.S.

The first part gives a highlight of Africa's macroeconomic crisis as at the mid-point of 1980s. The second part deals briefly with the fundamental areas of analytical and policy contention on which IMF programs are judged to be inadequate in the African context. The third part presents a number of new concepts in lending and borrowing for macro-adjustment which the proposed AfMF could adopt for the African context. These ideas include new approaches to conditionality as well as the «facility-link» framework in which medium-to-long-term structural adjustment programs can be designed as continuums of short-run stabilization programs.

I. — THE MAKINGS OF THE CRISIS

There are at least three major standpoints from which the African crisis can be illustrated and from which the urgency for clear-headed action combining external assistance and changes in domestic policies can be appreciated. The evidence that the crisis has deepened in the 1980s overwhelms all the usual claims of the shabbiness of African data for statistical purposes. First the urgency of the situation is evident in the accelerating decline in Africa's output performance and a worsening in related key indicators. The decline itself seems to show a long-term trend. Second, for the first half of the 1980s in particular, the decline in output prospects has been super-imposed on a hardening of the external economic environment. A third related aspect of the crisis has been the relative decline in volume and terms of access for capital flows to African countries at a time when supportive trends in these flows have never been more essential for macro-adjustment.

Tables 1 and 2 summarize the three aspects of the crisis mainly using illustrative data for Sub-Saharan Africa and for Sub-Saharan African countries which are non-oil exporters. In the 1960s, output performance in African countries was higher and more respectable than it has been since that decade. Non-oil exporters led the way at the annual average growth rate of 4 % a year which was higher than the average for the group of thirty nine countries. Although this pattern was reversed by the first oil shock in the 1970s, with non-oil exporters showing a lower-than-average growth rate for the group, the rates were still commendable. However the 1980s have been decidedly catastrophic particularly when the negative rates of GDP growth are translated into the growth of per-capita GDP to show the impact of the high population growth rates. For example the annual average growth rate of per capita GDP deteriorated from 1.3 % in 1960s to - 3.3 % in 1982 (World Bank, 1984, p. 22). There is thus increasing poverty in a continent which is already poor.

An even more worrisome observation for the mid-eighties is that when the global recession of 1979 tapered in 1982 and the United-States led the recovery in the international economy, the usual signals for higher economic activity do not seem to have stimulated a reversal in the continuing deterioration of Africa's output performance (WAGACHA, 1984, p. 124, and ACMS, 1984). No agenda for action can thus avoid to take

Table 1: Key Macroeconomic Indices: Sub-Saharan Africa*

Index Period	GDP(1)	Terms of trade (2)	Exports of goods & non- factor servi- ce (3)	Imports of goods & non- factor servi- ce (3)	Ressour- ce ba- lance(3)	External resource flows (NET) & use of IMF cre- dit (US \$ million)		
						Official loans & credits	Private loans & credits	Use of IMF re- sources
1960-1970	3.8 (4.0)	1.8 (2.8)	24.0 (26.0)	25.0 (26.7)	-1.0 (- 0.7)	-	-	-
1970-1975	-	-	25.7 (25.7)	25.3 (29.4)	0.3 (- 3.7)	-	-	-
1970-1980	3.6 (2.9)	10.2 (- 0.4)	-	-	-	-	-	-
1975-1980	-	-	26.5 (23.7)	28.7 (31.2)	- 2.2 (- 7.4)	-	-	-
1979	-	-	-	-	-	3584 (3150)	2658 (1484)	1695 (1626)
1980	-	-	-	-	-	3926 (3541)	3375 (2098)	1956 (1921)
1981	- 1.0 (2.3)	- 0.1 (-10.3)	24.5 (21.0)	31.2 (31.7)	- 6.7 (-10.7)	3465 (3123)	2471 (1345)	3411 (3394)
1982	- 0.2 (1.4)	- 4.6 (- 2.8)	17.2 (13.9)	24.8 (20.9)	- 7.1 (- 7.0)	3514 (3134)	1832 (- 589)	3981 (3970)
1983	- 0.7 (1.9)	-	-	-	-	-	-	-

Sources: World Bank: *Towards Sustained Development: A Joint Program for Sub-Saharan Africa*, (1984).

Notes: * The figures in brackets are for all countries except oil exporters in the group. They exclude Nigeria, Cameroun, Congo, Angola and Gabon.

(1) Annual average growth rate (per cent).

(2) Excludes Guinea, Guinea Bissau, Burundi, Zimbabwe, Swaziland, Gabon, Somalia, Lesotho, Botswana, for lack of data.

(3) Annual average as per cent of GDP.

(4) Net resource flows exclude official grants.

**Table 2: Average terms of Access to Capital Flows for the African Countries
1970s–1980s**

	1970	1977	1978	1979	1980	1981	1982
1. Maturity of debt	27.6	21.2	18.7	17.6	19.1	16.8	15.2
Commitments (in years) of which:							
Official creditors	30.0	38.1	37.6	22.4	24.8	22.3	22
Private creditors	10.0	9.1	8.6	8.7	8.8	8.3	7.8
2. Grace Period (in years)	7.0	6.5	5.3	4.8	5.2	4.5	4.0
of which:							
Official creditors	9.2	7.6	7.1	6.4	6.9	5.8	5.7
Private creditors	4.0	3.8	2.9	3.1	3.0	2.7	2.9
3. Grant element (in per cent) of which:	47.0	38.2	22.4	18.5	20.1	9.6	8.1
Official creditors	58.4	53.6	47.1	35.3	40.2	37.6	35.0
Private creditors	18.0	12.2	0.7	-8.4	-13.5	-18.6	-20.0
4. Interest (in per cent) of which	3.9	4.5	6.8	8.8	8.6	11.1	13.4
Official creditors	3.0	3.9	4.5	5.1	4.5	5.3	6.1
Private creditors	5.2	7.8	10.3	12.0	12.9	14.4	14.8

Sources: World Bank: *World Debt Tables* (1983–84 edition).

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account of the essentially medium-to-long-term character which the deterioration in economic activity in African Countries has now assumed. The urgency for action in this direction can hardly be over-dramatized when the deterioration in per capita output of Sub-Saharan Africa – with the 1983 level falling 11 % below the 1980 level – is translated into reduced per capita food output. The deterioration in per capita food production, which has been sharpest in countries richly endowed in agricultural resources such as Sudan, Zambia, Tanzania and Nigeria, has called for massive food imports, in spite of which severe hunger and permanent impairment of children has been reported. (World Bank, 1984, p. 13). Furthermore the evidence shows that even taking account of the recent devastation of most of Africa by drought, the long-term per capita food production of Sub-Saharan Africa has been falling fairly sharply from the 1960s relatively to the performance of other major developing areas of the world. Thus adjustment programs will have little impact unless they are conceived within medium-to long-term perspectives involving increases in agricultural supplies.

The external economic environment is represented by movements in the terms of trade flows and the resource balance. The terms of trade improved for Sub-Saharan Africa in 1960s with non-oil exporters performing slightly better than oil exporters. For the 1970s the oil shock explains the sharp over-all improvement while the non-oil exporters suffered

a decline. The figures for the 1980s show that if the global recession which began in 1979, worsened Sub-Saharan Africa's terms of trade in general the deterioration was sharper for the non-oil exporters. Although exports of goods and non-factor services as percent of GDP did not change substantially from the 1960s to 1981 there was a drastic change in 1982. A number of factors account for the decline in export performance. World trade and commodity prices have been stagnant for the past four years (A.C.M.S., 1984) and the prospects for two of Africa's major exportables, sugar and livestock, have been destroyed by protectionist barriers in developed countries. In addition the world market shares of some key commodities in which Africa has always had a comparative advantage have been eroded since the 1970s; this is the case with oilseeds, tea, coffee, cotton and bananas. In contrast imports as percent of GDP have risen sharply particularly in the 1980s, with the result that the current account deficit has also risen sharply. Thus in any framework for action, Africa's trading opportunities and commodity structure will need some rethinking (ECA, 1984, p. 99). If it is ascertained that the catalytic effects of growth in industrial countries on economic development in African countries have changed then new concepts are needed for trade which is supportive of development. Some economists who foresaw the need for this re-thinking at the beginning of the 1980s (LEWIS, 1980) formed the view that developing countries could not influence their pace of growth in the long-run unless they increased trade among themselves.

Capital flows to African countries are represented by three important categories in Table I, for which data is provided since 1979. The categories are selected on the basis that they are debt-increasing while the two other resource flows not in Table I (i.e. Official grants and food aid) are not. Table 2 shows the deterioration in the terms of access to capital. In 1979, official loans and credits were the leading source of capital flows but stagnated after some improvement in 1980. The 1982 level was not only about unchanged from the 1979 amount but official sources had been overtaken by IMF resources which were about 50 % of official sources in 1979. With private loans and credits having fallen off dramatically from a peak of 3375 (2098) million dollars in 1980 to 1832 (589) million dollars in 1982 for Sub-Saharan Africa and non-oil exporting members of the group, respectively, it is clear that capital inflows to Africa have suffered a serious set back in the 1980s. However even the reduced flows have taken place in a climate of accelerating difficulties relating to the terms of access.

Table 2 outlines the deterioration in the terms of access for some years between 1970 and 1982. Average maturities and grace periods for debt commitments were approximately halved. The average grant element in loans fell sharply from 47 % to 8.1% while the percentage rates of interest rose from 3.9 to 13.4. The combined effects of the above developments have at least lowered the flexibility to adjust for African economies and also raised the external debt service.

A major implication of falling capital flows in the face of widening current account deficits such as shown in table 1 is that the burden of financing the deficits must increasingly fall on external reserves or import

capacity must be reduced. Although the data is incomplete for 1983 and 1984, the available evidence is that import capacity has fallen sharply for African countries. The most important observation on falling import volumes for African countries in 1980s is not that the huge current account deficits (\$ 14 billion in 1981 for non-oil exporting countries) have been eased slightly (to \$ 13.2 in 1982 for the same group of countries) but that the reductions are a further phenomenon of binding constraints in the external environment with the consequences of aggravating already low or negative growth rates. Deeper analysis (IMF, 1983, p. 106) shows that import constraints in African countries have been the root of wide-spread under utilization of plant capacity and declining productivity and employment.

II. – IMF ECONOMICS IN THE AFRICAN SETTING

In the hey-day of the Bretton-Woods system two principal approaches were adopted in macro-adjustment, each assigned to a different set of actors in the domestic and world economic and financial scenes. Targets in economic development were pursued with long-term capital mobilization from domestic savings and, externally, with multilateral loans, bilateral loans, World Bank loans, loans from regional development banks, long-term loans from the financial markets, suppliers credits etc... A country faced with transitory payment difficulties involving an erosion of import capacity took adjustment measures combining foreign exchange reserves, including monetary gold, with short-term and medium-term loans from foreign central banks, commercial banks, foreign governments and, importantly, the IMF. There was thus a broad division between transitory shocks calling for balance of payments financing and long-term growth objectives calling for development financing. In this international financial order the central official players were the World Bank and the IMF which preoccupied themselves with project financing and stabilization programs, respectively.

As a source of liquidity to deal with transitory imbalances the IMF had a modest and uncontroversial role in Africa until about the beginning of the 1980s. Having been pre-empted by the Marshall Plan in Europe after the war the Fund's activities became prominent in Latin America for most of 1950s. The basic structure of lending was then fixed to the tranche disbursements approach based on a country's quota contributions. Except for the automatic reserve tranche, and the first credit tranche which carries low conditionality, all other tranche disbursements were subject to escalating obligations to observe economic measures agreed with the Fund. The entrenched lending practice was fixed on facility drawings structured to attract «low conditionality» when adjustment needs were low and «high conditionality» when the adjustment problem was more acute. The former conditionalities were intended to meet imbalances from «circumstances beyond a country's control» a definition which is itself highly contestable in developing countries. If domestic economic policy mis-alignment was perceived by the IMF, high conditionality facilities could be extended.

The above lending approach has undergone little modification in its application in Africa in the 1980s. Low conditionality drawings have been augmented with the Compensatory Financing Facility to enable primary commodity-producing members suffering from export short falls to draw an equivalent of up to 50 % of their quota in the Fund. The oil-facility operated from 1974–1976 also permitted drawings to cushion members from the first shock. Furthermore the Buffer Stock Facility was set up to facilitate members' contributions to official buffer stock arrangements. Since IMF quotas have been more than doubled from 1971 to the mid-eighties, low conditionality drawing rights have similarly doubled. However the increase is significantly lower than the increased value of the trade of poor countries (HELLEINER, 1983). In addition to a similar doubling of the three high-conditionality tranches, totaling approximately 75 % of a country's quota, this category of drawings has been increased via the Extended Financing Facility set up in 1974, the Enlarged Access Policy and the «high conditionality» component of the Compensatory Financing Facility. This expansion matches the increase in the value of trade for poor countries in the 1970s although conditional drawings have risen relatively to other drawings.

The above *quantitative* changes in the Fund's facilities came in the wake of a remarkable post-war expansion which seriously eroded the *analytical* and practical relevance of the Bretton Woods orthodoxy. First international bank lending expanded in the 1960s and 1970s dominating international capital movements. African countries gained relatively little from this expansion because of their typically low credit ratings. By the late 1970s, the major implication of the expansion for African countries was that capital flows in the region were being dominated by official loans (including official development assistance) and by the World Bank/IMF system. However, the practical basis of the latter's orthodox policy prescriptions had collapsed with the elimination of gold-dollar convertibility and the advent of generalized floating in 1973.

The acceleration in the share of the three sources can be explained in terms of a distributive bias in international capital markets which has excluded African countries from enjoying a «uniformity of treatment» relatively to other IMF members. According to one source (HELLEINER, 1983, p. 349) the disadvantages suffered by African countries from the lack of uniformity of treatment in the markets should elicit special considerations due to (i) differential access to fast-distributing short-term balance of payments financing (liquidity) (ii) differences in the size of shocks to the external account; and (iii) differential capacity to adjust. These disadvantages are quite apart from the traditional debate on the sharing of the burden of adjustment between surplus and deficit countries. However, the increased role of the World Bank/IMF system in African countries in the 1980s has not elicited new approaches to macro-adjustment. The two bodies have instead assumed their enhanced role in the macro-adjustment in Africa wearing the lens of the old orthodoxy (2). The consequences, particularly in the case of the IMF, are all-important since the imprimatur of the institution is now virtually essential for *all* other capital flows to African countries, including the declining flows from private markets.

A second major change from post-war expansion affecting particularly the World Bank/IMF approaches was the break down in the functional separation of balance of payment needs from development financing needs. Particularly in the light of the impact of the recent prolonged recession, African countries face a task far greater than that encompassed in a standard IMF stabilization program where conditional funds are provided to sustain imports pending an absorption-oriented adjustment to regain sustainable levels of economic activity (3). At the mid-point of a decade where GDP has fallen *every* year since 1980, the rates of growth to be regained in any African country can hardly be the negative ones within a one to two-year program. Growth should realistically be focused on the rates achieved in the decade 1970–1980. An essential step thus needs to be taken to integrate low-conditionality and high conditionality financing in such a way as to assure recovery and self-sustaining growth. Under an integrated adjustment approach, balance of payments needs would be simultaneously financed but reversed with concurrent medium-to-long-term programs aimed at increasing domestic supplies.

In the light of the hot debate on conditionality the IMF can always present the good points of its economic theory and tests of the efficacy of its programs in order to convert the critics. However among academic and research economists the good points will be increasingly harder to prove. Extensive theoretical details of the argument are not the purpose of this paper and we only briefly present some observations from Africa's stand-point (4).

The theoretical basis of IMF stabilization programs as now understood by economists is the model exposed by POLAK (1957) and the exposition by the IMF (1977). The institution has frequently held that a uniform framework for macro-adjustment is not applied to every country and that programs are designed with targets and instruments specific to the country accepting the program. What seems to give this contention some truth is not the lack of adherence of Fund programs to the basic model cited above but rather the frequent inclusion of an array of other economic stipulations which are supportive of the programs only indirectly. As will be clear in the following analysis for example the exchange rate has only an indirect effect (through the price level and real balances) on the variables of the Fund model. However, an «understanding» with the Fund on the exchange rate, involving a devaluation, is now virtually an integral part of the standard program.

In the basic model a fairly well-defined relationship is perceived between money, the domestic price level and the balance of payments. In this relation, a central linkage is assigned to the equilibrium (or lack of it) between the stock demand and supply of money which becomes a critical determinant of the balance of payments. Broadly defined the stock supply of money (M^s) is given by the foreign-source component (R), equal to the domestic currency value of net foreign assets, and the domestic credit component of the monetary base (D). The demand for money (M^d) can be derived as a function of real income (Y) (5). These relations can be summarized as:

$$\begin{aligned} M^s &= R + D \\ M^d &= f(Y) \\ M^s &= M^d \end{aligned}$$

The balance of payments B , can be derived as the rate of change in net foreign reserves,

$$B \equiv dR/dt = dM^d/dt - dD/dt$$

When a disturbance occurs in the stock supply and demand relation for money a key outcome is a balance of payments disequilibrium which can be dealt with by policies affecting the stock demand for money or the domestic credit or both. In the standard IMF program, there is no expectation of an appreciable increase in real income, Y , so that adjustment must involve a contraction in demand (6). One way is to lower money balances, through a devaluation for example, which should induce a counterpart reduction in expenditures. This reduction affects three important macro-aggregates: consumption (C) investment (I) and government spending (G). From the expenditure approach to National income accounting, income, Y , may be expressed as,

$$Y = C + I + G + (X - M)$$

where X is exports and M imports. As is well known, national expenditure (E) in an open economy is defined as:

$$E = C + I + G$$

As is also well known, the rate of total national absorption of goods and services may exceed the value of domestic output by the excess of imports over exports. This is reflected in the relation

$$Y - E = X - M \text{ and}$$

$$B = X - M$$

where B is the balance of payments deficit ignoring capital flows.

Thus if an adjustment program does not anticipate an increase in real income the counterpart to a reduction in money balances must be an expenditure reduction affecting some or all three components of E , i.e. C , I and G . We discuss the possibilities of achieving the expenditure reductions (and a balance of payments improvement) via domestic credit reduction and a devaluation which is also expected to switch foreign and domestic spending to domestic goods.

(i) THE BALANCE OF PAYMENTS

The balance of payments as defined above is

$$B \equiv dR/dt = dM^d/dt - dD/dt.$$

In the above relation any policy action which sets off an excess demand for money balances, such as a devaluation, or lowers domestic credit, will improve the balance of payments. Consider the obstacles to the expected improvements from a domestic credit reduction in an African country (7); we present but a few counter-examples of which there are analytically many.

First, if part of the output of the export sector is marked by fixed co-efficients between imported inputs and domestic inputs and is constrained by tighter credit to buy imported raw materials, this ensures that the balance of payments will worsen as the credit squeeze reduces real income. Second, if the production of established import substitution firms is constrained by credit, there may similarly be a fall in income worsening the balance of payments. Third, if the rate of substitution of non-traded goods for traded goods is high and there is a credit-constrained lack of expansion in the non-traded goods sector, then the balance of payments position would unambiguously improve with a credit *expansion* in that sector rather than a contraction. Fourthly, even if the above matters were taken into account, there is a potentially serious problem concerning measurement in setting a fixed numerical target for domestic credit expansion in African countries. We demonstrate the issue briefly.

In African countries there are numerous economic activities which yield income but pass unmeasured in national income statistics. However, many of the activities are fully monetized. The size of these activities which are not captured in the national accounts would tend to make the Fund's targets in domestic credit expansion rather lower than the desired rates of expansion. At worst there can be serious underestimation of the following order :

First define the demand for real money balances as M^d/P where M^d is as defined earlier and P is the domestic price level. Then:

$$\frac{M^d}{P} = f(Y)$$

which can be transformed in terms of rates of growth as;

$$\frac{\dot{M}^d}{M^d} - \frac{\dot{P}}{P} = n_Y \frac{\dot{Y}}{Y}$$

The dots represent $d(\cdot)/dt$ and n_Y is the (positive) real income elasticity of demand for real balances. From the above equation, the unadjusted growth rate in the nominal demand for money can be expressed as,

$$\frac{\dot{M}^d}{M^d} = \frac{\dot{P}}{P} + n_Y \frac{\dot{Y}}{Y}$$

Supposing now that there is a significant unrecorded but monetized real income amounting to y . The equation for desired real money balances M^{d*}/P becomes,

$$\frac{M^{d*}}{P} = f(Y, y)$$

which can similarly be transformed in terms of rates of growth as,

$$\frac{\dot{M}^{d*}}{M^{d*}} - \frac{\dot{P}}{P} = n_Y \frac{\dot{Y}}{Y} + n_y \frac{\dot{y}}{y}$$

where n_y is the (positive) real unrecorded-income elasticity of demand for real balances. The desired growth rate in the demand for nominal money balances can now be expressed as,

$$\frac{\dot{M}^{d*}}{M^{d*}} = \frac{\dot{P}}{P} + n_Y \frac{\dot{Y}}{Y} + n_y \frac{\dot{y}}{y}$$

The supply of money M^s is defined as equal to the product of the stock of high-powered money (or the monetary base), H and the money multiplier, m , i.e. $M^s = mH$ where H equals $R + D$ in the text. Assuming a constant money multiplier and converting the money supply equation into rates of growth we obtain,

$$\frac{\dot{M}^s}{M^s} = \alpha \frac{\dot{R}}{R} + (1 - \alpha) \frac{\dot{D}}{D}$$

$$\text{where } \alpha = R/H \text{ and } (1 - \alpha) = D/H$$

Now a stabilization program may be drawn up for a country with a balance of payments deficit so that a tightening of money supply growth rate is achieved by setting a ceiling on the growth rate of domestic credit to government and to the private sector. We can show that a stabilization program which relies on the unadjusted growth rate target for the nominal demand for money will underestimate the desired demand for credit and will reduce the rate of adjustment to the balance of payments disequilibrium. If we assume that the program attempts to match the growth rate of demand for money with the growth rate of the supply of money then we can either have $\dot{M}^d/M^d = \dot{M}^s/M^s$ or $\dot{M}^{d*}/M^{d*} = \dot{M}^s/M^s$. Substituting the relevant equations and rearranging we thus have a domestic credit growth rate of either;

$$\begin{aligned} \frac{\dot{D}}{D} &= \frac{1}{1 - \alpha} \left(\frac{\dot{P}}{P} + ny \frac{\dot{Y}}{Y} \right) - \frac{\alpha}{1 - \alpha} \frac{\dot{R}}{R} \quad \text{OR} \\ \frac{\dot{D}}{D} &= \frac{1}{1 - \alpha} \left(\frac{\dot{P}}{P} + ny \frac{\dot{Y}}{Y} + ny \frac{\dot{Y}}{Y} \right) - \frac{\alpha}{1 - \alpha} \frac{\dot{R}}{R} \end{aligned}$$

Subtracting the second of the above two equations from the first, it is clear that a stabilization program which targets the rate of domestic credit expansion on the unadjusted rate of growth in the demand for money will underestimate the desired credit expansion by an amount equal to the following expression;

$$ny \frac{\dot{Y}}{Y} \times \frac{1}{1 - \alpha}$$

Similarly the above equations may be expressed in terms of the key balance of payments relationship showing the rate of change in net foreign reserves;

$$\begin{aligned} \frac{\dot{R}}{R} &= \frac{1}{\alpha} \left(\frac{\dot{P}}{P} + nY \frac{\dot{Y}}{Y} \right) - \frac{1 - \alpha}{\alpha} \frac{\dot{D}}{D} \quad \text{OR} \\ \frac{\dot{R}}{R} &= \frac{1}{\alpha} \left(\frac{\dot{P}}{P} + nY \frac{\dot{Y}}{Y} + ny \frac{\dot{Y}}{Y} \right) - \frac{1 - \alpha}{\alpha} \frac{\dot{D}}{D} \end{aligned}$$

The above equations illustrate mainly three outcomes. First, the growth in unrecorded but monetized real income improves the balance of

payments. Second the greater the real unrecorded-income elasticity of demand for money the greater the rate of improvement in the balance of payments from the growth of that income. Third if impediments, such as credit constraints, rule out the above growth in real unrecorded-income, the rate of adjustment to a balance of payments disequilibrium is reduced by an amount equal to the expression :

$$n_y \frac{\dot{y}}{y} \times \frac{1}{\alpha}$$

(ii) EXCHANGE RATE VARIATION

One of the most controversial tools of Fund adjustment programs is devaluation which, in the past few years, has featured in the adjustment programs for Botswana, Egypt, Ghana, Kenya, Madagascar, Malawi, Mauritius, Morocco, Mauritania, Sierra Leone, Sudan, Somalia, Uganda, Tanzania, Zaire, Zambia and Zimbabwe. The analytical controversy begins with the observation that the exchange rate is not a variable of the simple IMF model presented above, so that any expected effects of a devaluation can only come about via the impact of the exchange rate on at least one of the variables of the model. In this context the exchange rate is only a complementary tool in an adjustment program whose effects take two main channels.

The first channel is the real-balance effect of a devaluation. The correction of a balance of payments deficit through this channel takes place not via any individual components such as the current account, but via an expected improvement in reserves. The payments position is viewed in terms of changes «from the bottom up». The devaluation, by changing the price of foreign exchange, reduces real balances. Since the demand for money is exogenously determined, the fall creates an excess demand for real balances which is translated into a fall in national absorption as described earlier. The outcome is a payments surplus, a vehicle through which the excess demand for money is eliminated. In this channel devaluation thus brings only transitory effects by raising the price level (8).

An entirely different channel is that in which an economy exploits the devaluation-induced price competitiveness of exports in conjunction with a reduction in imports. Here a country's terms of trade are deliberately worsened by policy action in order to achieve an expenditure-switching effect favouring the spending on domestic output by both residents and foreigners. The balance of payments improvement takes place via either the expansion of exports and falling imports or an increase in the relative price of traded goods within the traded goods/non-traded goods model. In the latter model the relative-price change induces an investment mix favouring the production of traded goods thus expanding exports and import-competing goods; the consumption mix favours non-traded goods, leading to a fall in imports and a reduction in the domestic consumption of exportables.

In terms of the first channel, the real-balance effect, the excess stock demand for money created by a devaluation is expected to be eliminated by an inflow of funds from abroad. The inflow is expected from a surplus on commodity trade or on the service account, direct investments by foreigners or the flow of private long-term or short-term portfolio investments. In African countries it is the typical case that the negotiations for a stabilization program are preceded by severe reverse trends in all the above flows which can not be easily changed during a standard program period. This transmission channel thus looks implausible.

Much of the discussion of the expected effects of a devaluation in African countries has been conducted within the framework of the second channel of transmission. The over-riding question is whether exports expand enough in conjunction with an imports reduction to improve the balance of payment via the expenditure-switching and reduction effects. There is much convincing evidence that the output of Africa's exportables, mainly primary commodities, is inelastic and insensitive in the short-run to export price changes (9). Furthermore, the Fund's expectation that an export-led turn-around in the balance of payments can take place during a stabilization period would seem to run counter to one of the best — documented empirical findings in international trade (for example in a seminal work by HOUTHAKKER and MAGEE (1969) that short-run elasticities are much lower than long-run elasticities.

The above arguments on the limitations of devaluation in the adjustment mechanism do not provide the critics with reasons for doing nothing when there are persistent and excessive price distortions as a result of domestic policy mis-alignments. Such distortions may imply that domestic costs and relative prices create competitive disadvantages for exports. A persistent currency over-valuation for example lowers the domestic costs for imported input users while lowering the incomes and incentives of the export sector especially where the world price is given. Apart from inducing capital-intensity and balance of payments pressure, the resulting price distortions may attract co-operating factors such as labor, to the relatively capital-intensive sector in search of cost and profit advantages. In the presence of limited national markets for import-competing goods, the general outcome may be excess capacity in both the export and industrial sectors. When these distortions exacerbate balance of payments pressures the dividends from a devaluation can be substantial. The devaluation — induced higher domestic-currency prices of exports, together with the lower real wage for co-operating factors such as labor, will induce export expansion while higher import prices will induce greater efficiency in the industrial sector.

III. — CONDITIONALITIES, FACILITIES AND THE AFRICAN MONETARY FUND CONCEPT

If the creation of an African Monetary Fund were to be pursued as a long-term goal, in what manner could the institution operate to ameliorate the special problems of African countries described in part I of this

paper? How are the impediments faced by African countries in the international adjustment of the IMF type to be ameliorated? First it would not be desirable and the resources would not be forthcoming for the Fund to set up as an alternative to other financing agencies in Africa. A large degree of co-operation and influence with existing agencies would be desirable in order to share in professional experience, research, co-financing of programs and consultations on new approaches to the African problem. Second in the light of the debate on the adjustment problem in African countries the Fund would need to take a lead in permanent research on effective approaches and study of the problem among its members in order to facilitate monitoring and appropriate timing of applications for assistance. The economic scenario depicted in part I of this paper suggests that new approaches should be evolved which focus on:

- the recovery of African economies from the current decline;
- enhancement of capital flows;
- strengthening and restructuring of production and export activities in order to enhance the capacity to adjust to a changing external economic environment;
- enhancement of domestic supply capabilities as a component of integrated adjustment programs in which persistent balance of payments pressures are reversed;
- promotion of co-operation and intra-African trade.

This section is divided into two parts: one is on the types of conditionalities which could be attached to lending with the above tasks in mind and the last part is on potential facilities which could be set up to finance adjustment.

1) *CONDITIONALITIES*

It is useful to begin with a recapitulation on the concept of conditionality in order to clarify what the issues are and are not about. For example the notion that an African Monetary Fund could have conditionalities attached to its lending indicates that the choice to be made is not between unconditional and conditional financing. Conditionalities are a necessary and integral part of financing; at the national level the issues would concern the structure and policy requirements of conditionalities: What is the economic logic of «low» and «high» conditionality lending in an African setting and would this partition be desirable for the AfMF? What are the possibilities for linking the provision of short-run liquidity with drawings from medium-to-long-run facilities in order to promote self-sufficiency and reverse the factors causing persistent liquidity crisis? How would AfMF financing be related to other sources of financing and in what ways would the new Fund complement other financing institutions?

At the continental level the primary question on conditionalities concerns the channels whereby they would enhance co-operation among African countries; how could conditionalities be designed to support intra-African trade, intra-African currency convertibility, harmonization of economic policies and practices, regional self-sufficiency etc?

In the IMF tradition, conditionalities are defined under three broad headings; (a) conditions governing the circumstances of access to Fund drawings, (b) conditions governing the duration of the use of Fund resources including arrangements for restitution and (c) conditions governing the interim economic policy measures, performance criteria and the level of stringency with which adherence is required. These are useful classifications, aspects of which could be adopted in the AfMF. However, an African institution would need to incorporate a number of general conditions forming the philosophical underpinning of all financing in Africa's special economic problem. It is with these general concerns that we begin a discussion of possible approaches to conditionalities and facilities for an African Monetary Fund.

a) GENERAL CONDITIONALITIES

General conditionalities as conceived below do not imply that every facility drawing by a member of the Fund would require measurable compliance. What is implied here is a set of fundamental policy guidelines which would be voluntarily accepted as governing the long-term operations and orientation of the Fund. Six sets of such policy guidelines are discussed below:

- the guidelines on the economic and financial mandates of the Fund;
- the guidelines on a concept we term «facility-link»;
- the guidelines on the prioritization of intra-African trade in the placement of procurement contracts financed from AfMF facilities;
- the guidelines on the financing of net-debtor positions within regional clearing houses;
- the guidelines on guarantees for third-party loans;
- the guidelines on the ultimate creation of a common monetary unit within the Fund to promote both reserve-creation and convertibility.

1/ The Guidelines on the Economic and Financial Mandates of the Fund

The purpose of defining general conditionalities under the above heading would be to commit members to the scope of macro-economic policy actions which can be taken in conjunction with lending to effect adjustment in measurable ways. For example it could be explicitly agreed by members that the path of adjustment involves policy action and compliance in at least some of the following areas of macro-economic behaviour:

- Monetary and fiscal policy;
- Exchange rate policy;
- Commercial policy-including exchange controls, trade restrictions, tariff and non-tariff barriers;
- Domestic pricing policy;
- Organization and policy support for the export sector;
- Domestic food policy.

The above delineation of areas, for policy action and compliance would be important in several ways. First it would give some definition to the Fund's mandate on program-planning, monitoring, evaluation, research and advisory services. Second it would facilitate the harmonization of economic and commercial policies where increased divergence would otherwise undermine the objectives of the Fund. For example if intra-African trade expansion took place under increasingly divergent practices on exchange controls, it would not be unlikely for members whose policies were liberal to attract capital and possibly also become staging points for capital exports out of the continent.

A third factor would be the need to facilitate the accumulation of relevant skills in the study, research, and design of adjustment programs. This could be an important aspect of the Fund's operations in the light of the hot debate on the nature of the adjustment problem in African countries. Apart from developing permanent technical, advisory and monitoring services to back up country programs, the study and research functions would prepare the Fund for participation and intervention in the debate on international monetary reforms on behalf of the continent. For some of its research activities, the Fund could collaborate with other institutions, (such as the IMF and the World Bank) experts from member countries and external experts with special knowledge of the adjustment problem in African countries.

Fourthly the development of professional competence in the fore-mentioned areas of the macroeconomy would prepare the Fund for the co-financing of adjustment programs with other international institutions whose indicators of performance are designed from a similar policy-set.

2./ The Guidelines on the Facility-Link Approach of the Fund:

The facility link proposal is based on a frequent observation in the external sectors of African countries; a country's export earnings, import-purchasing power for essential commodities such as food and raw materials, and debt servicing, become dependent on two or three principal exportables such as tea, cotton, copper, cocoa, oil, etc. Over time sectoral maladjustments leave some resources, such as in agricultural food production, highly under-utilised or mismanaged. When exogenous shocks reduce export earnings, as in the case of a collapse in world prices of the commodities, permanent loss of market shares or a technologically-induced erosion in world demand, a country begins to face balance of payments pressures and becomes a recurrent borrower to finance food and raw-material imports while the sectoral maladjustments persist. No sequence of single short-run adjustment programs extending the financing of imports can offer a lasting solution in this context unless designed to run concurrently with medium-to-long-term structural adjustment programs aimed at increasing domestic supplies and restructuring the export base. A two-phase approach to adjustment would thus be justified in which a country may be advised to accept two programs. In the first phase balance of payments support would be initiated jointly with drawings from a medium-to-long-term facility. The second phase comes after a gestation period of financing and

monitoring the latter facility and is marked by permanent increases in domestic supplies and a restructuring of the export base. This would reverse the pressures to borrow for short-run adjustment while enhancing the capacity of the economy to adjust to changes in the external economic environment. Similar benefits from a facility-link could apply to countries which discover a new resource. Exploitation may be constrained by lack of the initial foreign exchange outlays. Short-term balance of payments assistance could be extended during a gestation period when a medium-to-long-term facility is extended to realize export earnings, repay debts and enjoy an export-led permanent increase in incomes and domestic supplies. The general conditionality under the facility-link concept would commit members to adhere to facility-link programs when they are deemed feasible in consultations with the Fund.

3./ The Guidelines on the prioritization of intra-African Trade in the Placement of Procurement Contracts Financed by AfMF Facilities.

In order to enhance intra-African trade and minimize the global African debt impacts of AfMF facilities members would observe a general guideline on import-sources. To the extent that there is import-content associated with the use of AfMF resources, including co-financing and loan guarantees, priority in procurement contracts would be given to markets in African countries and prospective availabilities in African markets would be part of the applications. For imports which must be procured outside African markets (taking account of prices, quality, etc.) priority would be given to the markets of countries which support AfMF with capital subscriptions, co-financing, or loan guarantee arrangements.

4./ The Guidelines on the Financing of Net-debtor Positions, with Regional Clearing houses

A number of clearing-house arrangements have now emerged on the continent: The Clearing House of the Preferential Trade Area for Eastern and Southern Africa, the West African Clearing House and the Central African Clearing House are already operational. These clearing houses facilitate intra-African trade, regional self-sufficiency and supply capabilities. They also impart a degree of convertibility among African currencies. In recent experience balance of payments pressures-implied by falling terms of trade, export-earnings short-falls, high rates of interest on debt and food importation requirements — have tended to coincide with difficulties in meeting the settlement requirements of Clearing House mechanisms. This outcome is to be expected since settlements call for reserves. The problem is already serious in the West African Clearing House where the BCEAO group of countries have fallen persistently into net creditor positions while a high proportion of the payments tend to be made by Nigeria (10).

While settlement delays are in the general class of short-run balance of payments pressures they merit special attention from the AfMF because their financing would support the expansion of a particular set of transactions which relate to intra-African trade; since these transactions are foreign exchange-conserving they counter-act Africa's payments pressures

with the rest of the world. The crucial element of collaboration and intervention between the AfMF and the Clearing Houses would seem to be that while the latter are mandated to facilitate transactions and declare settlement balances, they have no mandates to finance destabilizing settlement delays which could themselves destroy the clearing arrangements; nor can they monitor economic policy and advise on adjustment mechanisms to remove obstacles to intra-African trade and further settlement delays. These are functions which the AfMF would be extremely well-placed to fulfil in conjunction with a facility for Clearing House members who face the prospects of being declared in default.

The general conditionality under this heading would require agreement that prospective default cases within the Clearing House mechanisms would be financed under a special facility with conditionalities attached to the disbursements.

5/ The Guideline on Guarantees for Third-Party Loans

The guideline on loan guarantees would be based on the recognition that AfMF resources will be modest in relation to financing needs. The AfMF would need to seek external sources for co-financing or arrange third-party loan guarantees for members. The general conditionality needed under this heading would require that the AfMF economic and financial mandates, including other attached conditionalities would apply to these resources.

6/ The Guidelines on the Creation of an African Monetary Unit

The guideline on the African Monetary Unit would require members to agree on the pursuit of an objective by AfMF to create a monetary unit which would eventually feature in facility drawings and restitution. Such a unit may take the form of an African Drawings Right (ADR) which would be created and distributed among members in order to supplement AfMF's reserve assets on a permanent basis. The reserve certificates could eventually be authorized for official use in the transactions of Clearing Houses, Development Banks, etc. General conditionalities under this heading would create an obligation on the members to accept the reserve certificates and pay convertible currencies or vice versa when the unit becomes technically feasible.

b) CONDITIONALITIES ON THE ECONOMIC AND FINANCIAL CIRCUMSTANCES OF A DRAWING FROM AfMF

There are two important considerations under the above heading for conditionalities: eligibility and resource availabilities from the respective facilities.

1 / Eligibility of a Member to draw from a Facility

This could be determined under a set of relevant criteria:

- the applying member would have acceded to AfMF membership for a specified period of time (six months for example);
- the level of net foreign reserves and deterioration prior to the application would be examined to determine the existence of foreign exchange constraints.

2./ Resource availabilities from AfMF Facilities

In a departure from the quota-based system of availability of IMF facilities, the AfMF may begin by allocating a basic maximum drawing available from each facility to *any* member. From that figure the *actual* drawing allocated to a member could be determined under a scoring system using the following weights:

- Quota Contribution of member as a proportion of total contributions;
- GDP per Capita;
- Expected ex-post effects on domestic self-sufficiency (related to medium-to-long-run-facilities);
- Expected ex-post effects on intra-African trade and regional supply capabilities;
- Member's credit rating in external capital markets and ratio of private capital flows to GDP;
- the relation of application to outstanding loan positions with AfMF, other international institutions (such as IMF and the World Bank) and private markets.

c) *CONDITIONALITIES ON RESTITUTION INCLUDING SERVICE CHARGES*

AfMF conditionalities under the above heading would be of key importance for the protection of the institution's credibility as well as international credit ratings. Furthermore it would be necessary to create safeguards guaranteeing the revolving character of resources which AfMF would hold as a custodian for its members. Initially the AfMF may need to establish market-related rates of interest and other charges. However as the institution evolves the opportunities for opening an interest-rate subsidization account for members facing special economic difficulties (such as the least-developed countries) should be examined.

d) *CONDITIONALITIES ON MACRO-ECONOMIC POLICY AND PERFORMANCE*

A number of conditionalities could be monitored under this heading particularly in conjunction with medium-to-long-term facility drawings. The targets and instruments would not simply be designed for each program but would be part of the permanent monitoring and policy advisory services of member countries. A primary policy stance on performance would be to achieve increased domestic supply capabilities with each AfMF facility drawing. Targets could be designed as ranges while instruments would similarly be given some flexibility.

(i) Possible macro-targets

- increased capacity utilization;
- higher growth rates;
- lower current account deficit to GDP ratio;
- lower inflation rates;
- higher domestic commodity supplies;
- improvement in the supplies and structure of the export sector

(ii) Possible macro-instruments :

- domestic credit
- budget deficit to GDP ratio
- the rate of interest
- export incentives

2. *POSSIBLE AfMF FACILITIES*(a) *Short-Term Facilities*

i) The AfMF Food Financing Facility (FFF)

The Food Financing Facility could be conceived as a mechanism to finance unanticipated food importation requirements including short-falls arising from an escalation in the import prices of basic cereals. Unlike other existing financing channels for cereal imports such as the IMF's Compensatory Financing Facility, the FFF would be operated to give long-term priority to the financing of cereal imports from African markets thus promoting regional food sufficiency. Since the food trade (admittedly low at present levels) would be expected to rise within clearing-house transactions, the facility could eventually be extended to members only under the condition that the cereal imports are channelled through the relevant clearing houses. In the interim, any imports not supplied from African markets could be authorised from foreign countries which support the AfMF with subscriptions, guaranteed loans to members, or co-financing. The facility would be repayable in 3 to 5 years. As discussed under general conditionalities the Food Facility could provide a basis for the facility-link approach such that drawings would be extended concurrently with a medium-to-long-term facility for increasing domestic food supplies. Among the guiding rules on applications and disbursements could be the following.

- AfMF would consider the eligibility and availability criteria of the last section;
- the domestic food import requirements should be related to exogenous factors beyond a member's control and should coincide with a weak position in foreign-exchange reserves;
- if a facility-link approach is considered possible in consultations with AfMF, a country would be expected to present a country food-policy report and an application under the medium-to-long-term facility drawings; the application would propose ameliorating measures in domestic food security, production, distribution, pricing, trade restrictions and nutrition education;
- when feasible, loan guarantees would be arranged and accepted by the applying member as described in the last section.

ii) The AfMF Special Current Account Financing Facility (CAFF)

A large number of factors explaining the balance of payments difficulties of African Countries originate in shocks within the current account. Disruption in export earnings from goods and services may arise from natural factors, unanticipated collapsing in of commodity prices, the sudden erection of tariff and non-tariff barriers in export markets and cut-backs in

earnings from workers' remittances and tourism. Reductions may also take place in private and official unrequited transfers from circumstances entirely beyond the control of policy-makers. Import price shocks usually provoke not only a deterioration in the terms of trade but an imports – constrained contraction in industrial production. The only autonomous policy action available to policy-makers is the financing of the current account deficits with reserves which can be depleted rapidly. As discussed in the first section of this paper, financing channels such as capital flows and borrowing entail special problems of access for African countries. The special current-account financing facility would be designed to smooth the disruptive effects of the above unanticipated shocks and to maintain imports-related economic activity over a short-run adjustment period. Repayment would be expected from 3 to 5 years and the facility could be designed as part of a facility-link approach such that drawings would be extended concurrently with a medium-to-long-term facility for increasing domestic food supplies. Among the guiding rules on applications and disbursement would be the following:

- AfMF would consider the eligibility and availability criteria of the last section;
- export earnings short-falls would be determined to have occurred if the average earnings for a twelve-month period preceeding the application fall below the average earnings over a three-year period prior to the application;
- the shocks from the import markets eligible for AfMF assistance would be those affecting the availability of output-related intermediate and capital goods. The facility would in any case be used to support a country's development plan by maintaining the availability to income-generating imports;
- the priority to supply the import requirements of the facility would be given to African markets and to markets of foreign countries subscribing to the AfMF, participating in co-financing or according guaranteed loans to AfMF members.
- The applying country would submit a report to AfMF (for the purposes of a decision by the governing body) outlining the need for the facility drawing and the proposed use of the financing in adjusting to the current account shocks;
- where feasible loan guarantees would be arranged and accepted by the applying member as described in the last section.

iii) The AfMF Special Intra-African Trade Financing Facility (IATFF)

The Special Intra-African Trade Financing Facility could be designed initially as a fall-back payments mechanism in support of regional clearing houses and bilateral payments arrangements. Under the facility a country facing serious foreign exchange constraints and the prospect of default in settlements within the regional clearing house could apply for support. The AfMF could operate the facility on the same theoretical basis as a payments union as follows: in the first stage, the AfMF would set up a special convertible currency account to facilitate settlements and also

to guarantee against default by any member. The liquidity of the account could be enhanced by efforts to attract interest-bearing deposits from individual Fund members, donor countries of the DAC, major commercial banks in Africa and African financial institutions. In order to guarantee uniformity of access to the facility among clearing houses, ceilings could be established on the maximum levels of outstanding drawings which members of each regional clearing house as a group can draw for a given period (say one year). This maximum could be set in proportion to the combined quota contributions of the regional clearing house members at the AfMF.

In the second stage, a country facing the above-stated settlements difficulties could apply to the Fund. If the member qualifies, AfMF would directly guarantee payment to the creditor countries thus accepting the qualifying member's settlement obligations as claims against itself by the creditor countries. Simultaneously, the applying member would accept counterpart liabilities at the AfMF and would be committed to make payments together with interest in specified amounts and within a period of 3 to 5 years. The claims and liabilities would be established in the same convertible currencies used for settlements in the Clearing Houses.

Thirdly, creditor countries could proceed to draw their settlement balances directly from the AfMF or maintain variable fractions of these balances as interest-bearing deposits in the facility. Among the guiding rules on applications and disbursements would be the following:

- AfMF would consider the eligibility and availability criteria of the last section;
- to qualify for the facility, the settlements difficulties should be related to exogenous factors beyond a member's control;
- a country requesting to use the facility would be expected to submit a report to facilitate a decision by the AfMF governing body; the report would outline plans to increase exports to the creditor countries in order to ameliorate settlement problems. Furthermore compliance on other measures may be required in conjunction with a drawing. Measures may include: removal of monetary inhibitions, tariff and non-tariff barriers, quantitative restrictions and other obstacles to intra-African trade;
- where feasible, loan guarantees may be arranged for use in conjunction with the facility.

(b) Medium-to-Long-Term Facilities

i) The AfMF Medium-Term Structural Adjustment Financing Facility (MSAFF)

The Medium-Term Structural Adjustment Financing Facility would be designed to assist countries facing extreme balance of payments pressures arising from structural changes in economic circumstances such as the viability of the export base or the need to exploit a newly-discovered resource; the facility would also finance programs to rehabilitate economic activity in the face of natural calamities such as drought, massive crop failures and destruction of infrastructure which supports the productive base.

Financing from the facility would broadly support balance of payments needs arising from the necessity to restructure and rebuild the productive capacity of the economy. Loans could be disbursed under stand-by arrangements and could be repayable from five to seven years. On the basis of a report submitted with a member's application showing the scope of payments disequilibrium, planned maturity and amortization of the loan and the timing and size of instalments, the AfMF would assist the member to design an adjustment program entailing performance criteria to be complied with. The program and all conditionalities would be contained in a country Economic and Financial Report which would be submitted to the AfMF governing body. Depending on criteria such as the size of the loan and maturity, the AfMF governing authority may vote approval by telex or convene a meeting to take a decision on the application. As discussed earlier the facility may be approved as part of a facility-link. Among the guiding rules on applications and disbursements could be the following:

- AfMF would consider the eligibility and availability criteria of the last section;
- all applications would be accompanied by the above-mentioned report which would be followed by consultations with AfMF and the preparation of the country Economic and Financial Report;
- the priority to supply the import requirements of the adjustment program would be given to African markets and to the markets of foreign countries subscribing to the AfMF, participating in co-financing or according guaranteed loans to AfMF members;
- when feasible, loan guarantees would be arranged and accepted by the applying member as described in the last section.

ii) The AfMF Long-Term Structural Adjustment Financing Facility (LSAFF)

As shown in Section I of this paper the African economic crisis now defies categorizations in terms of short-term adjustment versus long-term adjustment, balance of payments pressures versus the needs for development financing etc. These disequilibria are observed and tend to deepen simultaneously. Long-term structural adjustment financing would not simply put AfMF on the professional terrain of other agencies such as the ADB, or World Bank. It would be designed to respond to the multifaceted nature of the adjustment problem and would indeed complement the work of other agencies. For example the medium-term-to-long-term phases of the African development process are marked by high import-absorptive capacity typically directed at income-generating activities. This development-oriented import bias of middle-phase development necessarily creates payments pressures whose pay-offs in terms of higher incomes, savings, standards of living etc., cannot be realized unless the necessary payments financing is made available.

Since the facility would have the objective of supporting improvements in supply capacities and income, the financing of balance of payments would **discriminate** against consumption in favour of investment goods. Drawings from the facility could be disbursed under a stand-by-arrangement and would be repayable over six to fifteen years. A country

could apply to draw from the facility by submitting a report showing the import constraints of a long-term development program, the planned maturity and amortization of the loan, and the timing and size of instalments. The report would become the basis for a detailed study by the AfMF staff in collaboration with the applying member culminating in a Country Economic and Financial Report on the feasibility of a Long-term Structural Adjustment Program. The report would set out all the conditionalities which the country would be expected to adhere to and would also form the basis for a meeting of the AfMF governing body to take a decision on the application. The adjustment program may be designed under the facility-link approach. Among the guiding rules on applications and disbursements could be the following:

- AfMF would consider the eligibility and availability criteria of the last section;
- all applications would be accompanied by the above-mentioned report on whose basis AfMF and the applying member would collaborate in a study entitled the Country Economic and Financial Report on the feasibility of a long-term structural adjustment program;
- the priority for the supply of the import requirements of the adjustment program would be given to African markets and to markets of foreign countries subscribing to the AfMF, participating in co-financing or according guaranteed loans to AfMF members;
- stand-by-arrangements would be operated such that disbursements are graduated according to compliance with conditionalities set out in the Country Economic and Financial Report. If extraordinary changes occur affecting the macro-economy, a country may request a review of the Country Report. Otherwise compliance would be assessed in annual AfMF progress reports submitted to the governing authority as a basis for continued disbursements;
- when feasible loan guarantees would be arranged and accepted by a member as described earlier.

CONCLUSION

This paper begins by presenting an outline of the current economic crisis in Africa, arguably the deepest the continent has yet faced. The crisis is led by an acceleration in a long-term trend for output decline whose most disastrous aspect has been the decline in food supplies. The external economic environment has been similarly unfavourable. Export prospects are diminished by unfavourable shifts in market shares, falling terms of trade and narrowness of the export-base which makes many African countries vulnerable to the price collapse of even a few principal exportables. Furthermore African countries have watched their traditionally weak channels of access to external resources suffer even further retrenchment with adverse consequences for output performance, capacity for adjustment and exports which are based on the availability of imported raw materials.

In the economic crisis, the role of international financing agencies, particularly the IMF, have been enhanced in the 1980s. Over the years the Fund's low conditionality resources have more than doubled with the increase in quotas and the supplementation of the first credit tranche with the first 50 % of the quota available under the Compensatory Financing Facility. The resources available under the Buffer Stock Financing Facility also carry low conditionality. Resources available under the high-conditionality tranches have been expanded even further with supplementation from the Extended Financing Facility, the Enlarged Access Policy and the High Conditionality Component of the Compensatory Financing Facility. In the light of Africa's weak credit ratings and meagre resources attracted from the private capital markets, which expanded rapidly in the 1960s and 1970s, IMF resources are of relatively greater importance to the continent than to some other developing regions. The record of benefits from their use is highly debated however.

The issues concerning IMF conditionalities in the debate are not about the concept itself but the underlying failure of stabilization programs, even in analytical terms, to address the structural aspects of the African macro-economy. The result is that countries tend to borrow repeatedly for the same recurring balance of payment pressures without any structural solutions in sight. In the 1980s for example, GDP has fallen every year so far for Sub-Saharan Africa, a context in which the effectiveness of short-run adjustment programs oriented to the reduction of absorption alone is highly questionable unless concurrent measures are taken to support economic recovery.

In the continental initiatives and discussion stimulated by the Lagos Plan of Action (1981), one current idea is the formation of an African Monetary Fund to act not only as a lender of «self» resort but as a focal centre for new orientations in adjustment program-planning. This paper makes a number of suggestions on the lending procedures and conditionalities which the Fund could apply with a degree of relevance to the current African economic malaise.

In the current state of the African macro-economy it would be relevant for an African Monetary Fund to focus its priorities on the following tasks: the economic recovery of African economies, the enhancement of capital flows, the strengthening and restructuring of the production and export base in order to enhance the capacity to adjust to external shocks, the enhancement of self-sufficiency, and the promotion of co-operation and intra-African trade. The Fund would also need to be guided by a set of general conditions underpinning all lending activities to the particular economic problems of the continent. The conditionalities suggested in this paper are similarly based on some frequently-cited omissions of standard IMF programs in Africa: the need to encompass balance of payments adjustment within supply-augmenting policies or what we conceive as a «facility-link» approach; the need to increase and diversify intra-African trade which, in the long-run and under the clearing house mechanisms, will be foreign-exchange-conserving; the need to relate a member's access to assistance to the relative availability of credit from other sources; the need to broaden performance criteria in line with the needs for payments adjustment and supply augmentation, etc.

This paper finally proposes three short-term financing facilities and two medium-to-long-term facilities which an African Monetary Fund

This paper finally proposes three short-term financing facilities and two medium-to-long-term facilities which an African Monetary Fund could evolve over a period of time.

FOOTNOTES

1. See Lagos Plan of Action for the Economic Development of Africa, Organization of African Unity, 1981, pp. 83–90.
2. The extent to which the two institutions are beholden to the old orthodoxy is illustrated by the case of the IMF in 1979 when the concern of the Group of Twenty Four on International Monetary Affairs with performance criteria and conditionalities stimulated an internal review of guidelines on conditionality. Thereafter, conditionalities have become tougher not lower. Vigorous contractionary fiscal and monetary policy measures are required for the approval of stand-by agreements. Helleiner, (1983), has noted that in the first half of 1982, in the midst of the worst recession in thirty years, the IMF cancelled more commitments than it made new ones on the basis that performance criteria had not been achieved.
3. See Appendix I, on IMF facilities and Sub-Saharan Africa.
4. See Khan M. and Knight M. (1981) Singh A. (1984), Kaldor N. (1982), Buira, A. (1983) for extensive theoretical treatments.
5. For the derivation, see A.C.M.S. 1984, p. 23 as an example.
6. The reasoning here is that during the standard 1 year program, the national capital stock is fixed. Even if this were so real income can always be increased by absorbing excess capacity as Khan, Kninght (1981) have argued.
7. For a more detailed critique, see, A.C.M.S., 1984.
8. See Kreinin M. and L. Officer (1978) for an excellent exposé of analysis in this part.
9. See Johnson, O., *Issues Related to Exchange Rate Policies in Less Developed Countries: The Case of Sub-Saharan Africa*, I.M.F., DM/78/113, Dec., 1978.
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APPENDIX I

IMF Facilities

Analysis of Access and Conditionalities for Sub-Saharan Africa: (as of April, 1984)

Facility	Conditionalities	Available % of quota	Remarks
A. Reserve Tranche	Automatic availability on balance of payments need. No challenge or economic policy conditions.	25	Sub-Saharan Africa's aggregate quota is small 3730.5 million SDRs as of April 20, 1984 or 4.18 % of total Fund quotas. Available amount is 937.65 million SDRs which in any case has to be contributed to the Fund quotas in reserve assets prior to availability.
B. First Credit Tranche	Low conditionality drawing available without performance criteria or obligatory stand-by arrangements. Reasonable efforts expected towards adjustment of payments problems. Repayments in three to five years.	25	Available amount is again 937.65 million SDRs or an average of 21.81 million SDRs for 43 countries in this sample.
C. Upper Credit Tranches	High conditionality drawings available with performance criteria and obligatory stand-by arrangements normally. Strict adherence to performance criteria required from each stand-by period to the other. Any failure in meeting criteria which involve domestic credit, public spending, trade policies, etc. prevents further drawings. Repayments in three to five years.	75	Available amount is 2812.95 million SDRs or average of 65.42 million SDRs for 43 countries in the sample. If there are serious income effects from deflationary monetary and fiscal policies in the stabilization programs, the costs of adjustment could well be higher than the amount extended. Significance of these income effects in Africa is that they could represent reversals in development achievements.
D. Extended Fund Facility	High-conditionality drawings available. Extends more resources for greater periods (up to three years) relatively to the quotas than available in credit tranche policy. Admits payments and structural adjustment loans for medium-term. Disbursements are phas-	140	Since the applying member is expected to follow an adjustment policy package for the whole period with specific criteria for each 12 month period the program must rely on judgemental forecasts of economic activity which in African countries can be changed quickly by external shocks. Program failure may result from these shocks while the Fund's penalty of withdrawal of stand-by arrangements is couched in terms of policy failure.

APPENDIX I (contd.)

IMF Facilities
Analysis of Access and Conditionalities for Sub-Saharan Africa: (as of April, 1984)

Facility	Conditionalities	Available % of quota	Remarks
D. Extended Fund Facility (contd.)	sed out and adjustment program hinges on performance clauses for whole period relating to policy measures which are obligatory. Repayment in 12 equal installments over a four and a half to twelve year period.	currency not exceeding 265% of its quota)	
E. Compensatory Financing Facility	Low-conditionality drawings available (up to 50% of quota). Balance of available drawings-43% of quota for either export short-falls or excess costs of cereal imports or 55% of quota for joint drawing - is available under high-conditionality with obligatory co-operation with the Fund in meeting adjustment criteria. Repayment in 3 to 5 years.	83% of quota for either ex-tural exports) or collapse in external markets (raw materials & port short-mineral exports) must occur simultaneously with an excess falls or ex-burden in food imports. Furthermore the true burden of excess costs cessive import costs is not reflected in cereal costs. In some of cereal: countries these may be a lesser problem to adjustment than the shortage of raw material imports.	For African countries, the joint ceiling is restrictive and fails to recognize that export short-falls arising from drought (agricultural exports) or collapse in external markets (raw materials & port short-mineral exports) must occur simultaneously with an excess falls or ex-burden in food imports. Furthermore the true burden of excess costs cessive import costs is not reflected in cereal costs. In some of cereal: countries these may be a lesser problem to adjustment than the shortage of raw material imports.
F. Buffer-Stock Financing Facility	Low-conditionality drawings available to assist needful members in making contributions to U.N. approved international buffer stocks of primary products. Repayment in 3 to 5 years.	45% of quota.	Facility has not been of wide benefit to African countries since buffer stocks for many African commodities have yet to be constituted.
G. Enlarged Access Policy	High conditionality drawings available to supplement resources for serious	102-125% of quota	The enlarged access policy has the same short-comings as those of the upper credit tranches and the extended facility.

APPENDIX I (contd.)

IMF Facilities Analysis of Access and Conditionalities for Sub-Saharan Africa *: (as of April, 1984)

Facility	Conditionalities	Available % of quota	Remarks
G. Enlarged Access Policy (contd.)	payments under upper-credit tranches or beyond. Subject to performance criteria and stand-by arrangements over 1-3 years.	annually 306-375% of quota over a 3 year period. Subject to cumulative limit of 408-500% of quota.	

* The sample consists of 39 countries covered in World Bank, Toward Sustained Development: A Joint Program of Action for Sub-Saharan Africa, Washington D.C. 1984 and includes four other countries; Cape Verde, Comoros, Djibouti, and Sao Tome and Principe

Source: IMF Survey, September, 1984.

RESUME

Cet article comporte trois parties, traitant du problème de l'ajustement des économies africaines à la crise économique actuelle.

Dans la première partie, l'auteur analyse différents facteurs de la crise : le ralentissement de l'activité économique, la dégradation de l'environnement commercial, le rétrécissement du volume des capitaux et le resserrement du crédit. Ces facteurs négatifs ont contribué à réduire la capacité des pays africains à sortir leurs économies de la crise.

La deuxième partie traite du rôle particulier joué par les Institutions Financières Internationales, en l'occurrence le FMI (Fonds Monétaire International). Le vif débat sur les avantages des programmes d'ajustement du FMI s'élucide à la lumière d'un certain nombre de problèmes analytiques auxquels le modèle proposé n'apporte aucune solution. Un certain nombre d'exemples illustrent l'incapacité du modèle proposé à mener à bien sa politique d'ajustement, par le biais d'objectifs nationaux, de crédits et de la dévaluation.

La troisième partie traite d'une initiative que les spécialistes africains en matière monétaire ont envisagée dans le Plan d'Action de Lagos en 1981 : la création d'un Fonds Monétaire Africain. L'objectif de ce fonds est de concrétiser et de donner un certain poids aux problèmes que posent les pays Africains dans ce débat sur l'ajustement. Ce fonds ferait également fonction d'organisme continental de prêts qu'il accorderait sur ses propres ressources.

Cet article examine également certains aspects du fonds ; il s'agit de nouvelles méthodes de limitation par des conditions, de nouvelles méthodes de prêts et d'emprunts élargies à l'augmentation de l'offre, à la stimulation des flux de capitaux et au soutien des échanges commerciaux inter-Africains, ainsi que les institutions connexes comme les chambres de compensation.

Les nouvelles mesures d'ajustement proposées dans cet article seraient étayées par un certain nombre de structures, visant à équilibrer la balance des paiements et à stimuler le financement intérieur.

D'autre part, parmi ces nouvelles méthodes l'on pense que certains programmes d'ajustement pourraient nécessiter un financement assorti de facilités. L'objectif de ces programmes serait d'apporter une solution aux pressions à court terme exercées sur la balance des paiements par le biais de l'augmentation de la capacité de production interne pendant la durée du programme.

LES FONDEMENTS THEORIQUES DES POLITIQUES D'AJUSTEMENT DU FMI DANS LES PAYS SOUS-DEVELOPPES

Par

*Makhtar DIOUF**

Le Fonds Monétaire International est devenu certainement l'organisation internationale spécialisée la plus connue dans le Tiers-Monde. Ses premières interventions ont eu lieu en Amérique Latine dans les années 1950 ; l'Afrique de l'Ouest prend connaissance avec les politiques d'ajustement du FMI de façon assez généralisée, au tout début des années 1980.

Les interventions du FMI laissent toujours des traces au niveau des populations. C'est cet aspect qui alimente les nombreuses critiques adressées à cette Institution. Pour l'essentiel, il s'agit de critiques d'ordre «externe», c'est-à-dire basées sur les effets engendrés par les mesures d'austérité qu'elle préconise. Sur ce terrain, les économistes côtoient des spécialistes d'autres disciplines des sciences sociales.

Notre propos ici sera quelque peu différent, et d'ailleurs complémentaire : nous allons essayer de faire une analyse «interne» des politiques d'ajustement du FMI ; c'est-à-dire nous situer d'emblée à l'intérieur du laboratoire des économistes du FMI, pour voir par quelle démarche de réflexion théorique, ils sont arrivés à mettre au point de telles politiques, pour interpeller ce modèle théorique sur sa cohérence interne.

La cible des interventions des économistes du FMI est constituée par la balance des paiements. Les mesures d'ajustement ne sont rien d'autre qu'un ensemble de mesures visant à restaurer l'équilibre d'une balance des paiements en déficit. C'est là une préoccupation dont ils sont les héritiers dans l'histoire de la pensée économique, ceci depuis les Auteurs Mercantilistes du 17^e siècle. Seulement depuis cette période, beaucoup de modifications sont survenues dans la méthode d'approche de la balance des paiements. Dans la conception moderne, qui est celle du FMI, la balance des paiements se présente comme un bon résumé de l'activité économique. C'est la raison pour laquelle les mesures qu'elle inspire impliquent tous les secteurs de l'Economie.

La théorie économique traditionnelle a développé deux processus de rééquilibre de la balance des paiements : *l'approche par les prix*, qui repose sur la théorie quantitative de la monnaie, et *l'approche par le revenu* qui fait intervenir le multiplicateur du commerce extérieur. Les deux approches présentent la même caractéristique : l'importance accordée aux automatismes dans le processus d'ajustement, ce qui ne laisse aucune place à des politiques interventionnistes, compte tenu de l'hypothèse d'élasticité de l'offre. L'approche par les prix par exemple était plutôt conforme à une Economie régie par l'étalon-or et un système bancaire peu sophistiqué.

Ce sont les difficultés économiques nées de la dépression des années 30 et de l'immédiat après-guerre, qui posent la nécessité de réorienter la réflexion théorique vers les axes de recherche susceptibles

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d'aboutir à des recommandations concrètes de politique économique pour le rééquilibrage des balances des paiements.

Au niveau académique, c'est l'objet de l'ouvrage devenu classique du Britannique James Meade : *«Théorie de la politique économique internationale. Volume I : La Balance des Paiements»* publié en 1950. (1) C'est la mission qui a été confiée aux économistes du FMI dès sa création. Et les politiques d'ajustement préconisées dans les pays d'intervention procèdent directement de cet effort de conception théorique. Aussi serait-il tout à fait éloigné de la vérité de prétendre que la pratique du Fonds relèverait de l'empirisme et que ses économistes, «purs praticiens» opèreraient en dehors de toute considération théorique.

N'est-ce pas l'un d'eux qui écrit : «sans une base théorique monétaire solide, le FMI n'aurait pas pu argumenter face aux autorités monétaires nationales pour l'adoption de ses politiques». (4, p.p. 283-84).

Nous allons d'abord présenter le modèle théorique qui sous-tend les politiques d'ajustement du FMI, pour ensuite en donner une appréciation critique.

I. — LE MODELE THEORIQUE DU FMI

Les travaux théoriques des économistes du FMI ne sont pas toujours connus dans les milieux universitaires. Pourtant ils sont régulièrement publiés dans une revue interne, *IMF STAFF PAPERS*, qui est diffusée à l'extérieur. (Les articles sont rédigés en Anglais avec des résumés en Français et en Espagnol). Les économistes du FMI ne partent pas du vide théorique pour essayer d'élaborer une approche originale ; leur base de départ est constituée par la théorie économique néo-classique dans laquelle ils ont été formés dans les universités. Il est d'ailleurs arrivé que des économistes réputés dans les cercles académiques aient passé une partie de leur carrière au FMI (c'est le cas du Canadien Robert Mundell qui passe du FMI à l'Université de Chicago, de l'Américain Robert Triffin, et d'autres encore).

Ceci étant, quel est le profil théorique du FMI dans le cadre de l'économie politique néoclassique ? On peut être tenté de répondre sans hésiter : le FMI procède par une approche monétariste. C'est en tout cas ce que peut suggérer un ouvrage publié par le FMI en 1977 : *«L'approche Monétariste de la Balance de Paiements»* (2), qui est en fait un recueil d'articles parus au cours des vingt dernières années dans les *IMF Staff Papers*. Et n'ont été retenus dans l'ouvrage que les articles axés sur l'analyse monétaire, lesquels débouchent sur une recommandation de politique monétaire : restriction du crédit. Mais chacun peut constater que les politiques d'ajustement du FMI ne se réduisent pas à une simple limitation du crédit bancaire. Elles comportent aussi un volet budgétaire et un volet d'intervention directe. Ce qui montre que la démarche du FMI procède de l'éclectisme : le monétarisme y fait place à d'autres méthodes d'approche de la balance des paiements : *l'absorption et les élasticités*. Ces méthodes se complètent bien plus qu'elles ne s'excluent.

Nous allons voir que la politique du FMI en Afrique (et dans le Tiers-Monde en général) comporte deux niveaux : un premier niveau d'interventions conjoncturelles périodiques sur les balances des paiements,

et un second niveau de gestion stabilisatrice à long terme des Banques Centrales. Le premier niveau est assez bien connu ; nous l'exposerons tout de même pour en cerner la méthodologie. Quant au second niveau, il est beaucoup moins connu et c'est là que s'exerce véritablement le monétarisme du FMI.

1. *Les interventions conjoncturelles sur les balances des paiements.*

La relation FMI/Pays sous-développés a souvent été imagée en terme de relation médecin/malade. Ce qui n'est guère exagéré. On peut même préciser que la démarche du FMI s'apparente à celle du chirurgien : formulation du diagnostic, puis intervention chirurgicale ; avant l'acte proprement dit, le domaine d'intervention est circonscrit, délimité, et le cadre de déroulement de l'opération est aménagé, conformément aux conditions d'hygiène requises.

Ici c'est l'approche de la balance des paiements par la *méthode de l'absorption* qui est utilisée pour circonscrire le champ d'application des mesures ; la «vérité des prix» permettra la mise en place de l'environnement hygiénique nécessaire pour le déroulement de l'opération chirurgicale.

A. — *L'Approche par l'absorption : politique monétaire et politique budgétaire.*

L'approche de la balance des paiements par la méthode de l'absorption a été présentée publiquement par SIDNEY ALEXANDER (3) en 1952, après que la question ait fait l'objet de discussions au sein du FMI quelques années auparavant avec un texte non publié de J. POLAK.

L'intérêt de la méthode est de considérer la balance des paiements comme une relation entre des ressources globales et des dépenses globales, et non comme un simple document comptable présenté en termes de crédit et de débit. La base de départ est constituée par l'équation d'équilibre macro-économique qui exprime dans toute économie, l'égalité entre l'offre globale et la demande globale.

$$(1) Y + M = C + I + G + X$$

Y = Production domestique

M = Importations

C = Consommation privée

I = Investissement privé

G = Dépenses publiques

X = Exportations.

En isolant les éléments de commerce extérieur, on obtient :

$$(2) X - M = Y - (C + I + G).$$

En désignant par B (balance commerciale) le solde du commerce extérieur et en appelant A (absorption) la somme des dépenses C + I + G. on obtient :

$$(3) B = Y - A ;$$

L'intérêt de cette formulation est double :

- elle met en évidence le diagnostic : le déficit de la balance des paiements (réduite ici à la balance commerciale), est dû à un excédent de la demande globale (l'absorption) sur l'offre domestique : lorsque l'offre est inélastique (plein emploi ou rigidité des structures de production) les prix augmentent. Nous sommes alors en présence d'une *inflation par la demande*, qui porte atteinte à la compétitivité des produits domestiques sur les marchés extérieurs.
- elle met aussi en évidence la thérapeutique adéquate : l'amélioration de la balance commerciale passe par la *réduction de l'absorption*, s'il s'avère impossible d'augmenter la production domestique.

A l'origine, ALEXANDER cherchait en partant de cette formulation, à saisir les effets d'une dévaluation sur l'absorption. Pour lui, la dévaluation a des effets automatiques de réduction de l'absorption, qu'il faut compléter par des politiques systématiques d'austérité. C'est dans cette dernière direction que vont s'engager les économistes du FMI, en proposant des mesures monétaires et budgétaires.

Sur ce plan, c'est J. MEADE qui avait donné le ton, lorsqu'il écrivait que l'équilibre interne doit être restauré par des mesures monétaires et budgétaires. Ce sont les mesures que l'on retrouve dans les programmes d'ajustement du FMI :

- la **politique monétaire** vise à restreindre le crédit par l'élévation du taux d'intérêt ; ce qui est appelé à décourager aussi bien le crédit à la consommation que le crédit à l'investissement.

- la **politique budgétaire** se situe sur les deux volets que sont les dépenses publiques et la fiscalité.

.. *Les dépenses publiques* doivent être réduites afin de diminuer ou de résorber le déficit chronique des finances publiques ; les postes-cibles du budget de l'Etat seront :

- les subventions, qui permettent de vendre en-dessous de leur prix de revient (de production domestique ou d'importation) les biens de consommation de première nécessité, et les produits de certaines entreprises publiques,
- les dépenses de recrutement dans la fonction publique.

.. *Les impôts* (indirects domestiques) doivent être augmentés de façon à permettre des recettes additionnelles pour le budget, mais aussi en vue de décourager la consommation.

La cible dernière et principale de ces mesures est constituée par la consommation jugée trop importante dans les pays sous-développés, et portant surtout sur des produits importés. Dans une moindre mesure, l'investissement est visé, parce que portant aussi dans ces proportions importantes, sur des éléments importés.

La politique monétaire et la politique budgétaire qui sont des instruments indirects de politique économique sont accompagnées de mesures plus indirectes visant à rétablir les mécanismes de marché qui avaient été enterrés par une étatisation généralisée de l'Economie.

B. — *Le rétablissement des mécanismes du marché : la vérité des prix.*

Nous avons vu que la méthode de l'absorption avait été développée par ALEXANDER dans la perspective d'étudier les effets de la dévaluation sur les composantes de la demande globale. C'est la dévaluation qui polarisait alors l'attention des économistes, comme instrument de rééquilibrage d'une balance commerciale déficitaire : en effet, avec la dévaluation, les produits domestiques évalués en devises deviennent moins chers, et les produits importés évalués en monnaie locale deviennent plus chers. Mais cela suffit-il pour relancer les exportations et décourager les importations ? Tout dépend du comportement des quatre élasticités :

- élasticité de la demande étrangère.
- élasticité de l'offre domestique d'exportation.
- élasticité de la demande domestique de produits importés.
- élasticité de l'offre étrangère.

On peut supposer que l'offre est élastique dans le pays de la dévaluation comme chez ses partenaires commerciaux ; ce qui est conforme à la situation en vigueur dans des pays développés. Dans ce cas, la réussite de la dévaluation se trouve suspendue à deux éléments : l'élasticité de la demande domestique de produits importés, et l'élasticité de la demande extérieure de produits domestiques ; pour que la dévaluation améliore la balance commerciale, la somme de ces deux élasticités doit être égale à l'unité : c'est la condition MARSHALL-LERNER (4). (pp. 377-79)

Seulement, dans le cas de pays sous-développés, on doit impérativement tenir compte des quatre élasticités. Dans un pays sous-développé, la satisfaction de la condition MARSHALL-LERNER est une condition nécessaire mais pas suffisante de la réussite d'une dévaluation.

Pour l'essentiel, il s'agit là de variables exogènes, sur lesquelles la politique économique domestique n'a aucune maîtrise. C'est ce qui avait contribué à jeter le doute chez les économistes, sur la portée de la dévaluation sur la balance commerciale. C'est ce qui avait amené S. ALEXANDER à abandonner l'approche par les élasticités : pour lui, l'intérêt de la dévaluation se situe au niveau de ses effets déflationnistes sur *les éléments de la demande globale*. Bien entendu, le jeu pervers des élasticités a encore plus de chance de se manifester dans un contexte d'économie sous-développée, compte tenu de la rigidité des structures de production et des comportements de consommation. Aussi les économistes du FMI vont-ils explorer d'autres domaines d'impact possible de la dévaluation, lorsqu'il s'agit d'appliquer les politiques d'ajustement à des pays sous-développés. Sans négliger l'impact de la dévaluation sur la demande globale (cf ALEXANDER) ils vont aussi s'intéresser à son impact sur la *production domestique*.

A partir d'une offre domestique de ressources, la production ne peut augmenter que si l'allocation de ces ressources est optimale ; ce qui dans l'optique néo-classique, ne peut se réaliser que dans un système régi par le libre jeu des mécanismes du marché, permettant aux prix d'être l'expression des raretés. Le taux de change est un prix : c'est le prix de la monnaie locale en monnaies étrangères. Or dans l'économie sous-développée, ce prix est arbitrairement fixé par les Autorités à un niveau trop élevé. Autrement dit, la monnaie est surévaluée (la référence au

principe de la parité des pouvoirs d'achat permet de le constater). La dévaluation s'impose donc, car le taux de change en vigueur crée plutôt des distorsions dans l'Economie, surtout dans l'Agriculture, qui dans beaucoup de pays sous-développés constitue la principale source de recettes d'exportation : le paysan est faiblement rémunéré pour deux raisons : il ne perçoit qu'une faible quote-part du prix de vente sur le marché mondial (le reste étant confisqué par l'office de commercialisation local) et la contre valeur en monnaie locale est encore plus faible, compte tenu du taux de change surévalué. L'effet est de détourner le paysan, soit des cultures d'exportation au profit des cultures vivrières, soit de la commercialisation officielle au profit de circuits clandestins comme la vente dans un pays voisin à monnaie convertible (par exemple du Ghana à la Côte d'Ivoire).

La dévaluation est donc envisagée ici comme mesure de rétablissement de la vérité des prix pour une allocation plus optimale des ressources. Seulement, pour le FMI, il n'y a aucune raison de limiter l'opération vérité des prix au seul taux de change ; d'autres éléments sont concernés : les prix des produits de première nécessité sont fixés à un niveau artificiellement bas par les subventions : ce qui a pour effet d'encourager la consommation (la plupart de ces biens sont importés), et de mettre ainsi le budget de l'Etat en déficit. La politique budgétaire de diminution ou de suppression des subventions, tout en visant à réduire l'absorption (consommation), participe à l'opération vérité des prix. C'est dans ce sens que les subventions aux entreprises publiques doivent être supprimées ; la logique économique voudra alors que toute entreprise non rentable soit fermée. Les taux d'intérêt en vigueur dans les pays sous-développés sont fixés à un niveau trop bas, au point que dans certains cas, il s'agit de taux réels négatifs, compte tenu des taux d'inflation plus élevés. L'effet est d'encourager les sorties de capitaux en quête de rémunérations plus substantielles, ce qui contribue à la détérioration de la balance des paiements.

Là aussi, la politique de relèvement du taux d'intérêt vise à réduire l'absorption (consommation et investissement) tout en participant à l'opération vérité des prix.

La politique monétaire est ainsi un des instruments utilisés dans les interventions conjoncturelles sur les balances des paiements ; elle est utilisée aussi dans une perspective plus à long terme de gestion des banques centrales.

2. *L'Approche Monétariste de la Balance des Paiements et la Gestion des Banques Centrales*

Les Economistes du Fonds devaient aussi en complément, développer une approche monétariste de la balance des paiements, compte tenu d'insuffisances constatées au niveau des méthodes précédentes. L'approche par les élasticités et l'approche par l'absorption sont uniquement appropriées pour l'étude de la balance commerciale ; elles ne font aucune place aux mouvements de capitaux qui sont tout de même déterminants dans la situation de la balance des paiements. Des préoccupations relatives au cas spécifique des pays sous-développés ont aussi contribué à dessiner la nouvelle approche : dans ces pays, les structures monétaires et financières sont simples, les statistiques monétaires sont les plus satisfaisantes, ce qui facilite une approche monétaire permettant de traiter des modèles simples.

A cet effet, la balance des paiements et l'inflation sont considérées comme des phénomènes monétaires.

Le modèle qui a été élaboré par J. POLAK est en effet très simple : le revenu national est présenté comme une fonction directe de la masse monétaire (exactement l'inverse du modèle Keynésien).

$$Y = V \cdot M$$

Y = revenu national
 M = masse monétaire
 V = constante

Dans ce cas, tout accroissement de la masse monétaire entraîne un accroissement proportionnel du Revenu, en l'absence de fuites comme les transferts de capitaux et les importations.

Quant à la masse monétaire créée, elle a une origine «externe» et «interne» pour reprendre les expressions de R. TRIFFIN. Ce qu'on appelle en d'autres termes, les contreparties de la masse monétaire : les avoirs extérieurs et le volume total des crédits à l'Economie.

$$MO(x) = DA(t) + X(t) - M(t)$$

$MO(t)$ = Variation de la masse monétaire à l'année t .

$DA(y)$ = Variation du volume de crédit

$X(t)$ = Exportations

$M(t)$ = Importations.

Un accroissement de l'émission monétaire consécutif à un accroissement des exportations, se répercutera directement sur le revenu national, exerçant ainsi un effet salubre sur l'Economie. Par contre, lorsque l'émission monétaire accompagne un développement du crédit domestique à l'économie, le résultat risque d'être moins heureux : même s'il s'agit de crédit d'investissement, il y a de fortes chances pour que la plupart des éléments de l'opération soient importés. Ce qui ramène le crédit domestique à financer des importations, donc à participer au déficit de la balance des paiements. Il faut donc mettre un garde-fou à l'expansion du crédit. Ce garde-fou sera constitué par le niveau des avoirs extérieurs, car ceux-ci constituent la seule contrepartie sûre de la masse monétaire.

Il faut donc, selon J. POLAK, que la politique du crédit tienne compte du niveau des avoirs extérieurs. Ce qui l'amène à formuler que le volume du crédit ne peut être supérieur de plus de 5 fois au montant des réserves de change. C'est exactement la même règle qui régit la politique de crédit des banques centrales africaines de la zone franc, la BEAC et la BCEAO : *Le rapport avoirs extérieurs/crédits à l'Economie doit être supérieur à 20 %.*

Avec cette règle de gestion permanente des banques centrales, le crédit n'aura pas d'incidence trop marquée sur la balance des paiements. Les pays d'Amérique Latine constituent des exemples de déficits massifs de balance des paiements, parce que cette règle n'y est pas observée.

L'approche monétariste débouche ainsi sur une politique permanente de restriction du crédit par la méthode du plafonnement. Le relèvement du taux d'intérêt comme moyen de limitation du crédit reste réservé aux interventions conjoncturelles à court terme.

Dans l'ensemble, les différentes méthodes d'approche de la balance des paiements proposées par le FMI, se complètent dans une admirable logique : en toile de fond, l'approche monétariste prescrit aux banques centrales la voie à suivre : une politique permanente de restriction du crédit, pour ne pas mettre en danger la balance des paiements, c'est-à-dire la maintenir au moins à un niveau tolérable de déficit.

Bien entendu à certaines périodes, le déficit peut survenir ou bien s'aggraver du fait de chocs externes (sécheresse, baisse des cours mondiaux...) ou d'erreurs de politique macro-économique domestique (prix administrés trop élevés ou trop bas, déficit des finances publiques...) ; dans ce cas s'imposent des interventions conjoncturelles d'assainissement du système de prix, et de réduction de l'absorption par des mesures budgétaires et monétaires (relèvement du taux d'intérêt).

Ces politiques sont en général loin d'atteindre les résultats escomptés dans les pays d'expérimentation : que ce soit en Amérique Latine, en Asie ou en Afrique ; partout les coûts sociaux et humains ont été considérables : paupérisation absolue des populations, consécutive à la hausse des denrées de première nécessité, émeutes populaires dans certains cas... Sur le plan des strictes performances économiques, dans le meilleur des cas, la montagne (du train de mesures appliquées) n'accouche que d'une souris (taux très faibles de réduction du déficit extérieur).

À la lumière de ces résultats, il n'est que normal de procéder à une évaluation critique de l'approche théorique du FMI ; exactement comme on le ferait pour un diagnostic médical à l'origine de la prescription de médicaments qui ne réussissent pas à soulager le malade, et encore moins, à le guérir.

II. — ELEMENTS POUR UNE CRITIQUE INTERNE DU MODELE

La critique que nous proposons ici du modèle du FMI sera une critique interne ; elle portera sur la structure même du modèle, sur ses hypothèses et sur sa démarche : absorption, vérité des prix, monétarisme.

1. Le modèle du FMI par delà son fond théorique, est un modèle de politique économique. Sur bien des points, il s'inscrit de façon implicite ou explicite dans le cadre de la méthodologie de confection des modèles de politique économique telle que proposée par J. TINBERGEN. Il comporte des variables :

- variables exogènes : les prix mondiaux des produits primaires ;
- variables objectifs : solde de la balance des paiements, taux d'inflation...
- variables instruments : taux d'intérêt, taux de change, taux d'imposition, masse budgétaire.

Il comporte aussi des relations : relations de type structurel, relations de demande, d'offre, d'identité.

Un modèle de politique économique doit aussi comporter des conditions-limites (boundary-conditions) : limites techniques et limites d'équilibre social. Les conditions de limites techniques comme l'impossibilité de prix négatifs ou de quantités négatives sont facilement satisfaites dans le modèle du FMI. Il n'en va pas du tout de même pour les *conditions de limite d'équilibre social*, qui signifient que certains sacrifices ne peuvent être demandés à la population. Cette règle est posée par TINBERGEN d'une manière générale. Dans le cas précis de la politique de rééquilibre de la balance des paiements, S. ALEXANDER suggère que la des-absorption (réduction de la demande globale par des mesures d'austérité) ne s'impose que si l'Economie est en plein emploi ; si elle doit conduire au chômage, c'est une mesure indésirable. C'est aussi la position de H.G. JOHNSON(5). Cette préoccupation semble tout à fait étrangère aux économistes du FMI. Ils semblent sur le plan théorique, assimiler la situation d'inélasticité de l'offre qui existe dans les pays sous-développés, due à la particularité des structures de production, à une situation de plein emploi, laquelle autorise légitimement des mesures de réduction de l'absorption. Il est vrai que dans les deux cas, le volume de la production a du mal à augmenter, mais les effets des mesures ne sont pas les mêmes, car les pays sous-développés vivent une situation chronique de sous-emploi.

2. En fait les mesures d'austérité préconisées dans le cadre du modèle découlent logiquement de l'approche par l'absorption. Celle-ci ramène le problème de l'équilibre de la balance des paiements à un problème d'inflation par la demande. Rappelons que la théorie de l'inflation par la demande avait été élaborée par KEYNES («How to pay for the war», 1940), dans le contexte d'une Economie de guerre : l'offre ne pouvant pas augmenter pour des raisons bien compréhensibles, toute pression de la demande entraîne une hausse du niveau général des prix. Une telle caractéristique de l'offre n'est pas éloignée de celle constatée dans les Economies sous-développées. Seulement, compte tenu de la structure de capitalisme d'Etat en vigueur dans ces pays, l'inflation n'y procède pas de ces automatismes de marché décrits par la théorie économique ; dans les pays africains de la zone franc par exemple, les prix augmentent à la suite de décisions politico-administratives : soit pour répercuter des hausses de prix survenues dans les importations, soit pour appliquer des recommandations du FMI. Dans les deux cas, il s'agit d'inflation importée.

Ce qui doit être mis en cause, c'est moins le principe de la politique d'austérité que ses modalités d'application. Il est vrai que la gestion des finances publiques dans les pays sous-développés est un défi permanent aux principes les plus élémentaires du calcul économique. Malheureusement la démarche d'austérité budgétaire du FMI s'inscrit davantage dans une ligne politicienne (ne pas mécontenter les dirigeants politiques) que de calcul économique. Les dépenses sociales sont toujours la cible du FMI, et elles constituent aussi pour les Autorités politiques locales les postes les plus compréhensibles du budget, en lieu et place des dépenses militaires, des dépenses de prestige et de gaspillage...

Une politique d'austérité inspirée des principes d'une stratégie de «rationalisation des choix budgétaires», avec uniquement des préoccupations d'efficacité économique et sociale, aurait frappé d'autres cibles que les consommateurs à revenu modeste.

Le seul effet de ces mesures d'austérité dans le court et le moyen terme est de secréter l'inflation et de casser le rythme de croissance économique tout en hypothéquant les chances de développement dans le long terme.

Pourtant, on peut bel et bien envisager une solution alternative : celle de *l'approche structuraliste* de la balance des paiements, consistant à considérer la rigidité de l'offre dans les pays sous-développés, non pas comme une donnée de la fatalité, mais comme une variable à modifier par des politiques appropriées de développement. Cela ne signifie d'ailleurs pas que ces pays ne connaîtraient plus de problème de balance des paiements, mais que le déséquilibre, de structurel deviendrait conjoncturel. Seul un déficit conjoncturel de la balance des paiements est passible d'un traitement par la méthode de l'absorption.

3. Le taux de change figure toujours au premier rang des prix dont le FMI recommande la correction dans les pays à monnaie autonome. Dans les pays africains de la zone franc, le hasard a fait que le début des interventions du FMI coïncide avec la vague de dévaluations du franc français, sans parler de sa dépréciation régulière sur le marché des changes, vis-à-vis du dollar américain et du deutschmark ; dans de tels cas, compte tenu de la règle de parité fixe, le franc CFA est automatiquement dévalué ou déprécié.

La dévaluation s'impose, surtout dans les pays à monnaie autonome où le change est souvent surévalué. Et pourtant, les dévaluations menées dans le cadre des politiques d'ajustement du FMI en Afrique n'ont pas été couronnées de succès. Lorsque les économistes du FMI sont amenés à le reconnaître, c'est pour s'en prendre aux mesures d'accompagnement, qui auraient été lentes ou insuffisantes. La véritable explication nous paraît se situer ailleurs :

A./ La stratégie du FMI consiste à recommander une série de dévaluations à des taux modérés, sur une certaine période de temps, selon la méthode du « crawling-peg » chère à J. MEADE. C'est nous semble-t-il, faire fi de l'existence du marché parallèle de change dans les pays à monnaie autonome. Compte tenu de l'absence de marché officiel de change dans ces économies à structures de marché, le taux en vigueur sur le marché parallèle nous paraît être celui qui reflète le mieux la valeur de la monnaie locale. Le taux de change officiel devrait par conséquent s'ajuster au niveau du taux du marché parallèle, d'un seul coup ; ce qui implique une forte dévaluation.

B./ L'effet que les économistes du FMI attendent de la dévaluation est généralement de contribuer à relever la rémunération des paysans en monnaie locale, de façon à les encourager en direction des cultures d'exportation. Ce raisonnement procède d'un « économisme » sans rapport avec la réalité des pays concernés : Il n'est pas tenu compte des délais d'ajustement nécessaires, surtout pour des cultures sur l'arbre comme le cacao et le café dont la période de gestation peut s'étaler sur cinq années après plantation. Pourtant la théorie économique néo-classique a développé le théorème du COBWE³ qui rend compte de telles situations (6), p. 426). Il n'est pas tenu compte du fait qu'entre les paysans et le marché mondial, s'intercalent

les offices de commercialisation qui peuvent garder à leur profit les plus-values monétaires nées de la dévaluation. Tout compte fait, n'est-il pas plus rapide et plus sûr de recommander une mesure administrative directe d'augmentation du prix au producteur qui est déjà un prix administré ? N'y a-t-il pas quelque aberration logique à recourir au jeu des mécanismes du marché pour corriger un prix qui n'est pas de marché ?

C./ Enfin, les économistes du FMI laissent complètement de côté le problème très important des élasticités qui se pose dans toute opération de dévaluation : Les effets pervers qui font que la dévaluation ne réussit pas à relancer les exportations, existent même dans les pays développés (exemple de la dévaluation de la livre sterling britannique en 1967). Ces effets pervers sont à coup sûr plus sensibles dans des économies sous-développées.

D'une manière générale, la règle de la vérité des prix chez les économistes du FMI procède d'une attitude figée et dogmatique de «fétichisme du marché». Pour eux, en dehors du marché, aucune procédure d'allocation optimale des ressources n'est possible. Cela est sans doute vrai, mais seulement pour le marché de concurrence pure et parfaite, qui est une situation idéale de l'économie qu'on ne retrouve nulle part dans la réalité. N'est-ce pas d'ailleurs sur la base constatée des «échecs du marché» (7), pp. 359-79, des «défaillances de la main invisible» (8), que s'est développée toute une théorie néoclassique de l'*Economie Publique* et de l'intervention de l'Etat ?

C'est au nom de la vérité des prix qu'est déclenchée la guerre contre les subventions aux biens de première nécessité, parce qu'elles grèvent artificiellement les prix à la baisse. Et dans une admirable logique, recommandation est faite de relever les impôts indirects, comme s'il ne grevaient pas artificiellement les prix, à la hausse il est vrai, ce qui ne dérange pas le FMI.

En toute logique, la vérité des prix devrait aboutir pour l'ensemble des prix à une suppression des subventions, mais aussi des impôts indirects, de façon à ce que pour chaque bien, le prix reflète la rareté relative. Il est clair que cela aboutirait à une aggravation du déficit des finances publiques, car dans les pays sous-développés c'est la fiscalité indirecte qui alimente la plus grande partie du budget de l'Etat. Mais cela montre aussi que la prétendue vérité des prix préconisée par le FMI n'était qu'un justificatif pour faire supporter la résorption du déficit des finances publiques aux économiquement faibles (c'est pour eux que le coût économique et social marginal de l'opération est de loin le plus élevé).

D'ailleurs, et toujours sur le plan de l'analyse théorique, la politique de vérité des prix du FMI se heurte à une objection de taille : *le théorème de l'optimum de second rang* (9), pp. 11-32 : Ce n'est pas par une procédure tout à fait partielle de correction (suppression ou diminution des subventions), que l'on peut parvenir à faire des prix des signaux adéquats pour une allocation optimale des ressources. Aucune des conditions de l'optimum de Pareto (c'est-à-dire celles de la concurrence pure et parfaite) n'est remplie dans les Economies sous-développées. Il ne peut qu'être illusoire d'y tenter une opération «vérité des prix».

C'est aussi au nom d'un libéralisme dogmatique (qui est aussi celui du GATT) que les économistes du FMI ne recommandent jamais des mesures qui pourtant s'inscrivent tout à fait dans la logique d'une politique de rééquilibrage de la balance des paiements : relèvement de la protection douanière, encouragement des cultures vivrières... de façon à limiter certaines importations alimentaires... ce qui pourrait porter atteinte à la classique division internationale du travail. La stratégie du FMI qui est la même que celle de la Banque Mondiale vise à faire des pays sous-développés d'éternels exportateurs de produits primaires.

4. Le monétarisme du FMI se situe à deux niveaux :

- une conception selon laquelle, la monnaie est le facteur déterminant de l'activité économique : $Y = f(M)$;
- une recommandation de politique restrictive de crédit en direction des pays sous-développés, du fait de l'inélasticité de l'offre, ceci pour ne pas mettre en péril la balance des paiements ; chacun de ces points appelle des remarques :

L'explication monétariste de l'activité économique qui trouve ses origines lointaines dans la théorie quantitative de la monnaie, a fait l'objet de test empirique de la part de Milton FRIEDMAN(10) : celui-ci part de séries chronologiques sur l'Economie américaine de 1867 à 1960, pour trouver une corrélation très forte entre le niveau de la masse monétaire et le niveau de l'activité économique, aussi bien dans les phases d'expansion que de contraction .

Cette étude a été vigoureusement contestée dans les milieux académiques par les économistes de tendance keynésienne : KALDOR par exemple, qui estime avec juste raison, que corrélation n'est pas synonyme de causalité, la masse monétaire et le revenu national pouvant évoluer dans la même direction, sans que l'une soit le moteur de l'autre ; pour que la monnaie puisse être un facteur causal, il faudrait qu'elle soit une variable exogène, ce qui n'est pas le cas : la masse monétaire est une variable endogène, déterminée plutôt par le niveau de l'activité économique. Dans l'analyse keynésienne, c'est plutôt le revenu national qui détermine la masse monétaire : $M = f(Y)$; formule que les Monétaristes ont reprise à l'envers.

De toute façon, ce n'est pas dans les Economies sous-développées faiblement monétarisées que l'on pourrait vérifier ce rôle moteur de la monnaie allégué par les économistes du FMI. C'est plutôt une solution de facilité qui semble avoir été à l'origine de l'option monétariste du FMI dans ses programmes d'ajustement pour les pays sous-développés, si l'on s'en tient aux arguments qu'ils ont eux mêmes avancés :

- seules les statistiques monétaires y sont satisfaisantes;
- la non complexité des structures monétaires et financières (absence de marché financier) fait que la différence entre l'offre de monnaie et la demande de monnaie y est plus simple à déterminer et plus maniable ;
- cette approche monétaire permet de traiter des modèles simples avec crayon et papier, sans ordinateur, ce qui était commode dans les années 50 .

Il est aisé de constater que ce sont les recommandations du FMI qui guident la politique de crédit des deux banques centrales africaines de la zone franc : la Banque des Etats de l'Afrique Centrale, et la Banque Centrale des Etats de l'Afrique de l'Ouest. Précisons tout de suite qu'il est hors de propos ici de cautionner la situation de laxisme monétaire en vigueur dans la plupart des pays africains à monnaie autonome : une émission massive de monnaie faisant fi du niveau des avoirs extérieurs, pour consentir sans limite des avances à l'Etat, et des crédits à l'Economie ; ce qui a pour effet de gonfler les prix et de déprécier la monnaie.

Seulement, on trouve à l'extrême, les pays de la zone franc avec une politique extrêmement orthodoxe de crédit. C'est d'ailleurs ce qui explique que depuis la création de la zone franc en 1939, la garantie monétaire de la France (un des piliers de cette coopération monétaire) n'a commencé à s'exercer qu'à partir de 1979-80, et encore pour la seule BCEAO, du fait de la forte baisse des recettes d'exportation de cacao de la Côte d'Ivoire. Le volume du crédit est alors extrêmement limité : dans sa structure, le crédit à moyen terme susceptible de financer des investissements productifs est manifestement sacrifié au profit du crédit à court terme (2/3 de crédit à court terme, contre 1/3 de crédit à moyen et long terme) ; argument invoqué : le crédit à moyen terme finance des biens d'investissement qui sont importés, ce qui a pour effet de grever les avoirs extérieurs (11), (pp. 59-61) ; cela conduit naturellement à privilégier le crédit à court terme, surtout pour le financement de la production et de la commercialisation des cultures d'exportation.

Dans ce cas, une monnaie comme le franc CFA ne joue aucun rôle actif dans le développement de l'économie ; elle se présente plutôt comme une variable neutre. N'est-il pas frappant de constater que sur les six pays membres de l'Union Monétaire Ouest-Africaine (avant l'adhésion du Mali) quatre soient classés parmi les pays les moins avancés (P.M.A.), avec en prime le record d'instabilité politique ?

Au niveau de la Banque des Etats de l'Afrique Centrale, la proportion est certes moins importante : deux sur cinq ; sans tout de même perdre de vue que les trois autres ne doivent leur situation économique moins alarmante qu'à leurs recettes d'exportation (dont le pétrole).

En vérité, entre la politique de laisser-aller monétaire qui sévit dans les pays à monnaie autonome, et le Malthusianisme monétaire en vigueur dans la zone franc, il y a bien un juste milieu à trouver pour faire réellement de la monnaie un instrument de développement économique. Mais force est de reconnaître, que la stratégie du FMI ne s'est jamais inscrite dans cette perspective.

IV. — CONCLUSION

Actuellement, les politiques d'ajustement du Fonds Monétaire International sont en train de s'implanter solidement et dangereusement en Afrique. Elles y sont parées du sceau de l'inédit, alors qu'elles ont été déjà expérimentées depuis les années 1950 en Amérique Latine, sans succès. Faute de réussir à réaliser les objectifs de réduction de l'inflation et de réduction du déséquilibre de la balance des paiements dans le moyen terme, elles compromettent les chances de développement économique dans le long terme.

S'il en est ainsi, c'est parce que le modèle théorique qui sous-tend ces politiques, est inapproprié. Le modèle théorique du FMI dans ses trois dimensions, se présente vis-à-vis des pays sous-développés comme un vêtement étroit qui a été confectionné pour quelqu'un dont les mensurations n'ont pas été prises. Un tel vêtement ne peut que paralyser les gestes jusqu'à l'étouffer.

Là où la contradiction (entre le modèle théorique du FMI et la réalité des pays sous-développés) n'est pas comprimée par un régime militaire autoritaire et répressif, cette contradiction éclate dans la rue sous la forme de révoltes populaires tout à fait spontanées.

NOTES

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SUMMARY

An attempt is made in this paper to criticize from the inside IMF adjustment policies in under-developed countries. The paper shows that IMF economists work from theoretical elements drawn from the Neo-classical Political Economy.

The various approaches to the balance of payments, suggested by the IMF are on the whole complementary. In the background the monetarist approach prescribes to central banks what should be undertaken: a permanent policy of credit limitation. When in spite of everything the balance of payments remains in the red on account of external shocks and economic policy mistakes, it then becomes necessary to take short-term adjustment measures to cut down the over-all demand (absorption). These are as follows: monetary measures to increase interest rates, devaluation measures, budgetary measures to reduce subsidies to basic commodities, increase of indirect taxes...; which strengthens inflation and works against the restoration of the balance of payments.

Such a situation arises out of the very deficiencies in the IMF model:

- this is a model of economic policy which does not abide by the rule of social equilibrium (people cannot be asked to accept any kind of sacrifice);*
- the model is supported by the «demand-based inflation» theory whereas in under-developed countries inflation is an imported phenomenon;*
- the suggested devaluation cannot foster exports: IMF economists neither take into account flexibilities nor delays in adjustment (Cobweb theorem);*
- the recommended monetary malthusianism (countries in the Franc Zone) rejects the idea that money has an active role in the Economy.*

The IMF is in fact trying indirectly to turn under-developed countries into market economies. Yet the neo-classical political economy did end up developing a whole theory about public economy and state intervention precisely because of the deficiencies noted in the developed capitalist countries market.

THE CONTINUING CRISIS OF THE TANZANIAN ECONOMY: THE POLITICAL ECONOMY OF ALTERNATIVE POLICY OPTIONS

By

*Ajit SINGH**

I. INTRODUCTION

The world economic crisis of the last four years which has adversely affected most countries, both developing and developed, has had particularly devastating consequences for the African economies. (1) A large number of the latter have had to seek assistance and conclude conditionality agreements with the International Monetary Fund (IMF) to cope with the severe balance of payment problems which have resulted from the crisis. Invariably, in the short term, the Fund's adjustment programme for the African countries have included *inter alia* the following elements: (2) (a) a large devaluation of the domestic currency; (b) a reduction of public sector borrowing requirement by means of reducing or eliminating consumer subsidies and many other social expenditures; (c) an increase in interest rates to raise domestic savings; and (d) reduction of money supply. This is supplemented in the short to medium term by the IMF emphasis on changing the 'inefficient' structure of these economies by measures such as favouring the production of export crops over that of food or manufacturing, private sector economic activity over the public, parastatal or cooperative production, the allocation of resources by market forces (for example by 'liberalising' price controls or import controls) rather than directly by the government.

In the above context, the case of Tanzania is particularly significant. Although faced with a similar if not more serious economic crisis than the other African countries, Tanzania has not accepted an IMF policy programme during the last three years. (3) There have instead been protracted negotiations between the IMF and the Government of Tanzania which are still going on. In the wider setting of the mounting criticism of the IMF conditionality both by academic economists in the West (4) and by the political leaders of the Third World, the differences between the Government of Tanzania and the IMF about the nature of the appropriate adjustment policies for Tanzania assume a special and more general interest.

This paper has two main objects: (i) to elucidate and to comment on some of the major points of disagreement between the Fund and Tanzania; and (ii) to set out the analytics of the alternative macroeconomic policy options, if any, which may still be feasible for the Tanzania economy. However, to put this discussion in perspective, the paper will start with a brief review of the present state of the Tanzanian economy and the precise nature of the adjustment problem which the country faces.

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II. — THE CONTINUING CRISIS OF THE ECONOMY

The crisis of the Tanzanian economy has continued unabated. The available statistics indicate that in 1982, GDP fell by 3 per cent, compared with a fall of 1.8 per cent in 1981. As a consequence of the increasingly difficult foreign exchange situation, industrial production is estimated to have fallen by 25 per cent in each of the last two years; the level of overall capacity utilisation in industry is currently of the order of about 20 per cent. 1982 was also a bad year for agriculture, particularly for export crops. However, notwithstanding the poor performance of the real economy, the rate of inflation has remained stable over the last three years: the official statistics indicate that the annual rate of increase of prices was 25.6 per cent in 1980; 30.2 per cent in 1981 and 28.9 per cent in 1982 (5). The last figure is particularly significant in view of the fall in production which has taken place. The growth of money supply has similarly been of the order of 20 to 22 per cent during each of the three years 1980 to 1982. Furthermore, despite a fall of 20 per cent in the value of commodity exports in 1982 (partly as a consequence of lower marketed surplus and partly due to a fall in commodity prices), the current account deficit fell. For 1982 it was about 8 per cent of GDP compared with a figure of 15 per cent in 1980. (1a)

In any overall assessment of the economy during the recent period, it is very important to adopt a comparative international perspective. The following points are particularly significant:

1. First, the Tanzanian experience of falling industrial and overall production is by no means unique in the third world. In intrinsically stronger and much richer third world countries, despite the help from the IMF programmes, there have been serious losses of production and employment. In 1983, the Mexican GDP is expected to fall by 4 per cent; real wages by nearly 25 per cent. For Brazil, many economists expect the GDP to register a fall of nearly 10 per cent during the year. In relation to Uruguay, the *Financial Times* reported as follows on 25 August, 1983:

The International Monetary Fund left Montevideo last week apparently satisfied that the Government had met its target set in a \$ 400m (261m) two-year credit agreement signed in April. This in turn will pave the way for the disbursement of the second tranche of \$ 240m loan from commercial banks. Over a quarter of Uruguay's \$ 4.2bn foreign debt has been rescheduled. However, in the first six months of this year, gross domestic product fell by 10 per cent after a 10 per cent drop in 1982. Unemployment has risen to a record of more than 20 per cent. In Montevideo the signs are all too visible — there are many more beggars along its narrow, old streets than there used to be, and the housewives, for the first time, have begun to bang their empty pots.

Similarly, with respect to Peru, the *South* magazine (October, 1983) observed:

About a year after the IMF and Peru agreed a three-year funding package, gross domestic product dropped by 10.7 per cent in the first quarter of 1983 and the most optimistic official forecast for the whole year is an 8 per cent fall. Inflation reached three digits in May, while the Peruvian currency, the sol, depreciated against the dollar by 132 per cent in the 12 months to the end of June.

2. Secondly, the Tanzanian economy has been subject to greater shocks than most other economies, developing as well as developed. According to the IMF statistics (see IMF (1983a), since their last peak in 1977, the prices of primary commodities (other than oil) exported by primary producers fell in real terms (i.e. deflated by the prices of manufactured exports of developed countries), by over 30 per cent over the period 1977–82 (6). In real terms the primary commodity prices in 1982 were at their lowest level since the Great Depression. The low income African countries have fared particularly badly in this respect. Their terms of trade declined by 15 per cent over the period 1973–76 and by nearly 14 per cent during 1979–82, despite the fall in oil prices in 1982. In both these three year periods, the terms of trade experience of low-income African economies were worse than those of any other group of developing countries. [World Bank (1983), Singh (1983a)].

In addition to the catastrophic deterioration in terms of trade which Tanzania shared with other low income commodity exporting African economies, the country also suffered from other significant shocks, the most important of which were the breakup of the East African Community and the war with Idi AMIN in Uganda. In view of these shocks and the fact that Tanzania is one of the world's poorest economies, the informed opinion (even including Tanzania's friends) during the last three years had been predicting a total collapse of the economy within a few months.

The financial *Time* quotes a 'depressed' aid official as follows: «Tanzania is the economic equivalent of the aero-dynamics of the bumblebee. In theory, the bumblebee shouldn't be able to fly, and Tanzania shouldn't be able to keep going», (*Financial Times*, June, 1983). Clearly, the 'the theory' is at fault here since it ignores the overwhelming importance of the politics and of the political institutions for a nation's economic performance. Evidently, because of Tanzania's political institutions and its political strengths, the country, despite all its faults and hardships, is still a functioning economy and policy. The rate of inflation in Tanzania has not sky-rocketed to Latin American dimensions and the currency has not collapsed – the normal signs of an economic breakdown.

3. Thirdly, and more significantly, although the statistical data are not yet available, all the signs are that the economic performance in Tanzania during 1983 was a notable improvement over that of 1982. Although industry continued to languish because of the foreign exchange position, agricultural production and the volume of commodity exports are expected to have registered an appreciable increase. In addition, the

country should benefit from the increase in commodity prices which has taken place during the last six months as a consequence of U.S. and the world economic upturn.

III. — THE LONG TERM STRUCTURAL IMBALANCE OF THE TANZANIAN ECONOMY.

The direct and immediate symptom of Tanzania's economic crisis is that the country does not have available adequate foreign exchange to purchase from abroad the requirements necessary to keep domestic production at normal levels of capacity utilization, let alone for importing consumer goods. It is, however, important to emphasize that this is not just a short-term liquidity problem but one of long-term structural imbalance in the entire productive structure of the economy. This is *implicitly* recognised by the IMF since they do not just recommend short-term financial measures but also propose major policy changes in resource allocation, income distribution and the system of incentives (see Section I) which they believe will bear fruit in the medium to longer term and thus help to correct the structural imbalance of the economy. However, the notion of structural imbalance is never made explicit or precise. To help in this task, so that at least there is agreement on the essential nature of Tanzania's economic problem even if not on the methods of solving it, in a previous paper (SINGH (1983), I have provided the following analytical definition of the concept of long-term structural disequilibrium of the Tanzania economy:

The Tanzania economy is in long-term structural disequilibrium in the sense that the productive economy is unable to generate sufficient exports to pay for the required imports (i) at a socially desired rate of economic growth; (ii) at a socially acceptable exchange rate and (iii) at a normal level of current account deficit.

The economy of Tanzania is in fundamental disequilibrium since even at its existing 'abnormally' large current payments deficit, it is unable to achieve the minimum desired rate of expansion of national production. The qualifications (i) to (ii) in the above definition are very important. At a low enough growth rate (e.g. a large negative growth rate indicating a sizeable shrinkage of the national economy), Tanzania could conceivably still balance its payments, but that is not what it socially desired. Similarly, it is arguable that at a low enough exchange rate for the domestic currency, the current account may balance or reach its 'normal' level; however, even if this were to happen, this may generate socially unacceptable rates of inflation or income distribution.

As to the question what is the normal or acceptable level of external deficit, in operational terms, I would regard this as being about 5 per cent of GDP for Tanzania. This figure is based on the judgement that the international community would continue to provide Tanzania with aid and capital flows to that extent since it is one of the world's poorest countries (7). If this assumption were to prove over-optimistic, the 'normal' level of deficit would need to be amended accordingly.

Tanzania's current account deficit as a proportion of G.D.P. has shrunk from 11 per cent in 1979, 15 per cent in 1980 to about 8 per cent in 1982. However, this has been accomplished largely by a reduction in essential imports which have adversely affected domestic production and capacity utilization. The central policy issue before Tanzania's leadership is how to reduce the current account deficit to 5 per cent of G.D.P. whilst maintaining a reasonable rate of economic growth.

There is reason to believe that the IMF would accept this conception of Tanzania's basic economic policy problem. They are, however, apt to ignore the following extremely important implications which ensue from the above analysis.

1. The external disequilibrium and the national economy

The first point to note about Tanzania's external disequilibrium is that this is the main cause of other financial and economic disequilibria which the country is at present afflicted with. Because of the balance-of-payments constraint, both agricultural and particularly industrial production suffer heavily. For example, it is due to the inability to import industrial raw materials, spare parts, etc. (8), that the manufacturing industry is currently operating at only 20 per cent of its capacity. Similarly, agricultural production is handicapped directly as well as indirectly by the non-availability of foreign and domestic industrial inputs (e.g. fertilizers), transportation or incentive goods for farmers.

These disequilibria in agricultural and industrial production in turn generate inflation and disequilibrium in government finances. As sales and excise taxes on industrial production, and import duties, are a major source of government revenue, the balance of payments constraint is directly and indirectly responsible for the large budget deficits which Tanzania has been experiencing since the onset of the crisis. However, it has been estimated that if industry was operating at normal level of capacity utilization instead of its present low level, sales and excise tax revenues would be doubled, which would not only eliminate the current fiscal deficit, but also make a sizeable contribution to the capital account. (see JASPA/ILO, 1982).

In view of these considerations, the IMF argument that the economic crisis of Tanzania (and other third world economies) has been caused more by domestic mismanagement than by external factors is difficult to credit. However, as this argument has wide currency both inside and outside Tanzania, it is useful to consider it carefully. We have seen that the external payments deficit affects all spheres of the economy. For the IMF argument to be valid, it will need to be established that this deficit itself is due to domestic mismanagement rather than due to external shocks, which as seen in Section II were much more severe for Tanzania than for most other countries (developing as well as developed). Two observations are in order here. One, up to 1979, Tanzania's long term economic performance — both in terms of economic growth and meeting the basic needs of the people was highly satisfactory by comparative international standards (9). It is hard to believe that *since then* Tanzanian workers, managers and government officials have become more

inefficient or more slothful than before. The simple point is that Tanzania like most other world countries has always had its usual share of inefficiency and ineptitude (which is often another way of saying that the country is at a low level of economic development); there is, however, no evidence that these adverse factors have become *more* intense since 1979, leading to the economic crisis.

Two, it is worth looking beyond Tanzania and the developing countries to appreciate the futility of the IMF's general argument on this issue. Not just the third world, but the advanced countries have also experienced a large trend decline in their long-term rate of growth since 1973 or 1979. The rates of unemployment in the OECD countries are at their highest level for fifty years. Is this due to inefficient or inept macro or micro management in each of these economies? Did the super-efficient Germans suddenly become inefficient after 1973 or 1979 for their economy to have suffered such a large reduction in its rate of expansion? Economic logic and evidence are more in accord with the alternative hypothesis that the German economic slow-down was also due to the world economic crisis over which *no single* country (except to some degree the U.S. which alone accounts for nearly a third of OECD output) has any appreciable control. To the extent that the world economic crisis is due to the deficiencies in the international trading and monetary arrangements (10) — precisely an area where the IMF has the major responsibility — the uncharitable might say that the IMF's argument amounts to shifting onto others the blame for its own 'mismanagement' of the world's monetary and financial institutions.

Be that as it may. The general argument that the Tanzanian economic crisis after 1979 is due to domestic economic mismanagement cannot be accepted. To the extent that there is a specific charge of mismanagement against the country's economic managers or with respect to particular economic policies, that needs to be explicitly stated and then evaluated at its own merits. However, by far the more important point for Tanzania's policy-makers is that although the economic crisis may have been caused by external factors beyond their control, the *solution* to the crisis lies in their own hands. They have to accept the fact that the world economic situation may have changed for the worse not only temporarily but permanently. In the very short-term, because of the U.S. economic recovery (which many people do not expect to last much beyond the U.S. elections in November 1984), the commodity prices will certainly rise. But to the extent there is likely to be a *long-term* deceleration in the rate of growth of the world economy, the adverse movement in the terms of trade which Tanzania has experienced since 1977 will be a permanent feature of the economic landscape. Economic and political management in Tanzania thus needs to *improve* to cope with these new realities so that in time the country can resume the path of economic progress which was interrupted in 1979.

2. The external disequilibrium and the budget deficit

As a significant element in the IMF adjustment programme for Tanzania (as well as elsewhere in the third world) is to require a sharp reduction in government budget deficit, the following points deserve special attention:

(i) In analysing budgetary deficits in advanced economies, the OECD and more recently the US Council of Economic Advisers, make a conceptual distinction between a 'cyclical deficit' and a 'structural deficit'. It is recognised that during a cyclical downturn when national production is below capacity, the government tax revenues will inevitably be reduced whilst at the same time government expenditure will be increased because of the need to provide greater employment and social security benefits than before, thus leading to a larger than normal budget deficit. Thus in the case of the US, it is estimated that much of the larger portion of its present deficit of 6 per cent of GDP is of a cyclical nature, but the structural deficit, i.e. the projected deficit at the current tax rates but at normal capacity utilisation, is much smaller, being of the order of 2.5 per cent of GDP. Unfortunately, the IMF in its adjustment programmes in third world countries does not appear to make any such analytical distinctions. For example, in the case of Tanzania, although its present deficit is historically large, at the present very high tax rates, it most likely has a large *structural surplus* on the current account of the government budget.

(ii) The second important implication of the foregoing analysis is that although I have argued that the budget deficit in a country like Tanzania is a direct consequence of the balance of payments constraint and a relaxation of that constraint will improve the budgetary position, *the converse unfortunately is not necessarily true*. In other words, it is not the case that a reduction in the budget deficit will automatically improve the external payments position. In some countries it may well do so, but in the circumstances of the Tanzania's economy and its institutional framework, this is most unlikely. There are essentially two reasons for this: (a) Tanzania is a small commodity exporting economy so that it is domestic production rather than domestic prices which determine the level of its export receipts (export prices are set in the international markets and are independent of domestic prices). (b) In Tanzania, the central bank controls the allocation of foreign exchange and imports have already been reduced to their minimum compatible with the existing level of production. In view of (a) and (b) what IMF needs to explain is the precise mechanism whereby they believe that a cut in budget deficit will improve the balance of payments position which as noted earlier is at present the main constraint on domestic production and employment.

IV. — THE IMF PROGRAMME AND THE QUESTION OF LARGE DEVALUATION.

The main outline of the IMF programme for Tanzania was spelled out in Section 1. The centre-piece of this policy package is a large devaluation of the shilling from its present level of 12 shillings to a U.S.

dollar to between 25 shillings to 35 shillings to U.S. dollar, with associated restrictions on fiscal deficit and growth of money supply. The IMF would *inter-alia* also like to see much higher interest rates (from their present level of about 10 per cent to well over 30 per cent), an enormous increase in producer prices for export crops (a 40 per cent increase in real terms), a liberalisation of price controls. In return for the implementation of these policy proposals, the Fund would provide Tanzania with foreign exchange resources in accordance with its normal entitlement.

Although there is disagreement between the Government of Tanzania and the IMF about the exact effects of the IMF programme, both sides agree that these would be far-reaching for all spheres of the economy. As an illustration, one immediate and dramatic effect of these proposals, on Fund's own estimates, would be to raise the price of sembe, the basic staple in Tanzania *from 2/50 shillings to 18 shillings a kilogram*, a seven-fold or so increase (11). As there is evidence from around the world that people have revolted over far smaller increases in the price of basic foods, the Tanzania government is understandably reluctant to accept the Fund's programme without a thorough examination of all its consequences.

As one of the most important differences between the Government of Tanzania and the IMF concerns the question of devaluation — not the principle of devaluation but its extent and timing — in the earlier paper (SINGH, 1983) I examined in detail the technical issues involved in analysing the effects of devaluation on an economy like that of Tanzania. The paper noted that the most recent economic research on devaluation is very skeptical of its value as an instrument for correcting a fundamental structural disequilibrium of the economy. In general, the arguments against devaluation are particularly strong in a small commodity exporting, and centrally planned economy. This is for the reasons mentioned earlier that such an economy can sell whatever it is able to at internationally determined prices; a devaluation, other things being equal, will not, therefore, increase export receipts. In a centrally planned economy, where the central bank controls the allocation of scarce foreign exchange resources and furthermore where all non-essential imports have already been eliminated, imports will not be discouraged by devaluation. On the other hand, a devaluation will affect income distribution and inflation and may set off a chain reaction of price changes, wage demands and financial instability. As KALDOR (1983) has pointed out, this has precisely been the outcome in many Latin American economies with the IMF inspired devaluation; these countries have often ended up with the same structural balance of payments deficit as before the devaluation except at a much higher rate of inflation and attendant economic and political strife.

This is not to say that a commodity exporting economy should never alter its exchange rate, upward or downward. Despite the general considerations outlined above, a developing commodity exporting country may nevertheless need to change the exchange rate depending on its specific circumstances. Whether or not a change in the exchange rate is

required and more importantly the *extent* of the change and its *timing* should rest on an empirical examination of the following kinds of questions:

- (1) The size of the net effect on the balance of payments.
- (2) The time period over which the effects on exports and imports occur: is it six months, one year or 5 years? Are imports affected earlier than exports?
- (3) The certainty of the effects.
- (4) The impact on the rate of inflation and income distribution. Again what is the short-term dynamics of these effects? Will the impact on inflation occur sooner than on foreign balance and what will be its implications? Will the first round effects on prices lead to wage changes, further inflation and financial instability, thus nullifying any positive impact which devaluation may have on the foreign balance?

For reasons given in (SINGH, 1983), answers to every one of these questions, particularly those relating to the short term dynamics involving inflation and income distribution are vitally important in a decision about devaluation. In recommending a large devaluation for Tanzania, the IMF does not, however, provide systematic empirical information on these issues. Instead they base the case for devaluation on the following general arguments:

- (1) Devaluation, it is suggested, will have a positive effect on the balance of payments even in the short-term because (a) it will reduce leakages through smuggling; (b) discourage the parallel market in foreign exchange and thus diminish the loss of foreign exchange to the government through that channel; and (c) even though commodity exports may not be increased in the short-term, there will be a favourable impact on the manufacturing balance.
- (2) Devaluation, it is believed, will have a long-term favourable effect on the foreign balance.
- (3) Both in the short or the long-term it is argued that a devaluation will help to restore the government's budgetary balance.
- (4) Devaluation, it is argued, is essential since the rate of inflation in the African countries has been much greater than the world rate of inflation, and there has therefore been an appreciation of the real exchange rate.

A detailed examination of the above arguments in SINGH (1983) showed them to be not at all convincing in the case of Tanzania. In the technical discussions between the Fund and the Tanzania Government officials about the question of devaluation, there has nevertheless been some progress in the last three years. The essential points of difference between the two sides have now narrowed down to two issues (a) the role of producer prices and (b) the effect on the parallel market in foreign exchange.

A comprehensive discussion of these issues lies outside the scope of this paper, but some comments may be in order in each case. The IMF would like an increase of 40 per cent in real producer prices for commodity exporters and a somewhat smaller increase (28 per cent) for food producers in order to encourage greater agricultural production. They believe that a large devaluation of the currency which they recommend (from 12 shillings to 25 or 35 shillings per U.S. dollar) will enable such prices to be paid to the growers without leading to a huge budget deficit. In relation to this view, the following points seem to me to be significant. First, the IMF provide no scientific evidence that in the present state of the Tanzanian economy *overall* agricultural production is likely to be increased by rise in producer prices. Agricultural production and marketable surplus are affected by a large number of factors, including producer prices, weather, availability of inputs, transportation and other organisational and infrastructural facilities. For example, in 1982, there was a fall in production of certain crops despite increase in real producer prices: the main factor being weather. The infrastructural and transportation bottlenecks are far more important constraints on the growth of marketable surplus at present than producer prices. The available econometric evidence for Tanzania does suggest positive response of some *individual* crops to producer price increases, i.e. the *partial* supply elasticities in *certain* cases are positive but there is no such evidence for the *aggregate* elasticity. [See JASPA/ILO (1982)].

Secondly, even to the extent that there is a positive supply response for particular crops, the size of this response is far from being uniform and varies between crops. This point is significant since this suggests that the optimal government policy should be selective subsidies for particular export crops (which amounts *conceptually* to a use of multiple exchange rates) rather than a uniform subsidy implemented by means of a general devaluation. Thirdly, and most importantly, if such a large increase in producer prices as suggested by the Fund is implemented, it will involve an enormous redistribution of income (from the non-food, non-export crop sectors to the food and export crop sectors) which would inevitably cause a huge upsurge in the rate of inflation. The rate of inflation could easily increase from its present level of 30 per cent to well over a hundred per cent. In these circumstances, the Tanzanian government's policy of selective crop subsidies and an overall increase in real producer prices of the order of 5 per cent seems much the more sensible.

With respect to the so-called 'parallel' market in foreign exchange, the IMF's arguments on this issue are entirely *a priori* and theoretical. There are, however, similar *a priori* reasons for believing that in the specific conditions of the Tanzanian economy, a large devaluation would have *at best* a marginal effect on curbing the black market, thereby increasing the country's foreign exchange resources. (see further SINGH, 1983).

To sum up, the basic case against the very large devaluation required by the IMF conditionality is that its positive effects on the balance of payments and production in the short to medium term are small and highly uncertain. However, the negative effects on inflation and income distribution over the same time horizon, and particularly in the short-term, are large and certain. However, in the first half of 1983, the Tanzanian

government devalued the shilling by 20 per cent against the U.S. dollar (as against the IMF demand of over 66 per cent devaluation in terms of local currency and over 300 per cent in terms of foreign currency). In my view there was less of an economic, but much more of a political case for this devaluation. It indicated to the bilateral donors and the international aid community that Tanzania was not opposed to a devaluation as a matter of political principle, but rather had extremely serious pragmatic and empirical objections to the IMF programme.

V. — ALTERNATIVE POLICY OPTIONS AND THE ANALYTIC MATRIX OF THE POLICY PROBLEMATIC

The various strands of the foregoing argument may now be brought together to define more precisely the nature of the macroeconomic problematic before Tanzania's policy makers.

1. The current balance of payments deficits.

The external sector constitutes the main immediate constraint on the economy. The basic arithmetic of Tanzania payments problem is straightforward. Normally speaking, i.e. taking good and bad years together, the country earns approximately \$ 500 million p.a. from its exports, largely of coffee, cotton, and other commodities. Its imports of goods and services amount normally to a billion dollars per annum, leaving a current account deficit of \$ 500 million.

How is this deficit financed? An obvious answer is by 'foreign aid'. *However, what is not often realised is that the deficit itself is to a large degree a reflection of the foreign aid the country receives.* Much of the larger part (about 70 per cent) of the foreign aid is project aid, given for the creation of new productive capacity. This is at one level an extraordinary situation. Here is a country with a crippling foreign exchange constraint, as a consequence of which only a small proportion of its existing productive capacity is being used. Yet foreign exchange continues to be provided for creating *new* capacity rather than helping to increase overall production by greater utilization of existing capacity. A significant implication of this analysis is that if the project aid is eliminated or reduced, Tanzania's current account deficit will be substantially reduced *pari passu*.

The Tanzanian government has attempted to persuade donors to shift aid from new projects to balance of payments support, but with very limited success. An important reason for this is the deep depression in the capital goods industries in the leading industrial countries. As far as Tanzania is concerned, if the total foreign aid the country presently receives was cut by half, provided it was given in the form of balance of payments support, its immediate impact on the economy would be immensely beneficial as it would *both* substantially increase production and simultaneously reduce the current account deficit. (12)

Parenthetically there is another aspect of Tanzania's foreign aid which deserves comment. It is sometimes said in criticism of Tanzania that the country has received more foreign aid per capita than most other

countries and yet the economy is in a desperate state. The former statement is probably true in terms of official aid, but not if one includes all capital inflows. Total capital inflows into capitalist oriented countries like Kenya and Ivory Coast have been much greater as these countries are also able to borrow on the private international capital market. In the short to medium term, the private borrowings, being not tied to specific projects, are much more useful to the economy than official aid, which is invariably project aid. However, this can create serious problems in the longer term when interest burden becomes large and debt has to be repaid.

2. *The Debt problem.*

It is particularly important to adopt a comparative international perspective in examining Tanzania's debt problem. A major consequence of the world depression has been an enormous increase in the debt burden of most developing countries. The total outstanding debt of 24 low income African countries (on the World Bank's definition) increased from nearly 5 billion dollars in 1973 to 14 billion dollars in 1978, and to nearly 23 billion dollars by the end of 1982, as table 1 indicates. The latter figure

Table 1: Total Outstanding Debt and Debt Services Ratios in Low Income African Countries and in Tanzania 1973 to 82.

	1973	1975	1977	1978	1979	1980	1981	1982
Total Outstanding Debt (US \$ millions)								
Low Income Africa	4,963	7,777	11,638	14,233	17,245	19,826	21,819	22,659
Tanzania	464	798	1,100	1,141	1,193	1,338	1,497	1,632
Debt Service Ratio (1).								
Low Income Africa	7.3	9.3	7.7	11.6	11.3	18.0		
Tanzania	7.0	5.9	5.5	6.1	5.6	7.2		

Source: *World Bank (1984).*

- (1) *Defined as the ratio of total debt service to exports of goods and all services. World Bank (1984) provides debt service ratios for low income African countries and Tanzania on a comparable basis for only up to 1980. However, there is data available for total debt service payments which suggests that between 1980 and 1983 (projected figures) these payments increased nearly three fold both in the case of low income African countries as a whole (from \$ 1,053 million in 1983) and of Tanzania (from \$ 52 million in 1980 to \$118 million in 1983). The Tanzanian debt service ratio for 1983 will therefore still compare favourably with that of low income Africa.*

is of course much smaller than that for Mexico or Brazil alone: their outstanding debts are of the order of 90 to 100 billion dollars in each case. Over the period 1973 to 1980, the debt service ratio of the low income African countries increased from 7.3 per cent to 18 per cent.

Within this overall context Tanzania's debt situation is not at all bad. Most of Tanzania's debt is owed to governments or to the national agencies rather than to private banks. As table 1 shows Tanzania's debt service ratio is less than that of the African countries as a whole.

In accordance with the usual convention, the data in table 1 refer basically to medium and long term debt; they do not include short term debt. The reason for omitting short term debt from debt service ratios is that a large part of such debt is often trade credit which is normally rolled over. Most short term debt would be owed to private banks or institutions. However, even with respect to such debt, Tanzania's position again compares very favourably with that of other African economies (see table 2, which is based on the latest available information and analysis of the American Express Bank's economic unit).

Table 2: Debt Owed to Private Banks and Debt Indicators:
Tanzania and other African Countries.

	Total debt outstanding	Debt due in 1 Year	Debt due in 1 year net medium (US \$ mil- lions)	M-term debt due in 1 year	M-term debt due in 1-2 years	Short- term debt/ total
Africa						
Cameroon	1,046	281	258	22	17	24.8
Congo	805	127	121	6	15	15.0
Gabon	701	170	106	64	44	15.1
Ghana	239	200	169	31	9	70.7
Ivory Coast	3,387	924	780	144	140	23.0
Kenya	770	126	131	85	85	17.0
Madagascar	299	78	62	16	11	20.7
Malawi	202	104	60	44	40	31.6
Nigeria	8,527	3,137	2,777	360	589	32.6
Sudan	1,119	658	603	55	64	53.9
Tanzania	241	72	56	16	20	23.2
Zaire	873	262	190	72	45	21.8
Zambia	590	383	333	50	56	56.4
Zimbabwe	914	572	541	31	49	59.2

Source: *European Trade Finance Report, September 1983.*

Notes: Column 1: provides the total outstanding debts of LDCs to banks, covering short-term and medium-term debts.

Column 2: indicates the amount due within 12 months (in this case to December 1983), whether such debts relate to maturing medium-term credits or to short-term financings.

Column 3: estimates the degree to which repayments due within one year relate solely to short-term credits, rather than maturing amounts of medium-term financings.

Column 4 and 5: calculate the amount of medium-term debts to banks falling due within the first 12 month period (to December 1983) and during the second 12 month period (December 1983 to December 1984).

3. *The international context.*

The international context is exceptionally unfavourable for Tanzania. It is essentially a small commodity exporting economy, heavily dependent on imports, which finds itself in the midst of a world depression. However, as noted earlier, in view of the expected deceleration in the long run growth of the world economy during the next decade, the adverse movements which Tanzania has experienced in its terms of trade may not simply be a temporary short term set-back, but a more permanent phenomenon. Even though because of the U.S. economic recovery, the world commodity prices will improve in the short term, their longer term outlook cannot be regarded as very favourable in a slow growing world economy.

This perspective on the world economic situation has serious implications for Tanzania's economic policy makers and its political leadership. A deterioration in the terms of trade inevitably means that at least in the short to medium term, the Tanzanian people cannot expect their incomes and standards of living to grow at the same rate as they had become used to until 1979. It is an essential task of political leadership to dampen people's expectations in this regard and to help them to appreciate the new longer terms economic constraints which the country faces.

The Macroeconomic Policy Options

In the light of the above discussion, we may now examine the macroeconomic policy options open to Tanzania's policy makers. The one obvious option is that provided by the IMF, many aspects of which have been examined in some details in earlier sections. The cost and benefits for Tanzania if she were to adopt the IMF programme may now be summarised.

The main benefit to Tanzania would be that it would be able to draw on Fund's resources to the tune of approximately \$ 100 million per annum over a period of 3 years (assuming a three year programme). It is, however, argued by the Fund that once a programme has been agreed with them and Tanzania has thereby obtained the Fund's good housekeeping seal of approval, it would be able to obtain substantial additional resources from the private capital market as well as from the official bilateral and other donors.

This assumption is open to serious doubt. First, as far as the private capital market is concerned, it is most unlikely that even with the IMF's housekeeping seal, Tanzania would be able to tap additional funds. This is for two reasons:

- (a) Tanzania is a very poor country following a non-capitalist road:
and
- (b) the international financial markets are at present highly vulnerable and most banks are trying to reduce their exposure in terms of the so-called sovereign debt.

Secondly, in relation to bilateral donors, the hope of more foreign aid from that quarter is also likely to prove unrealistic. This is because in most of these countries public expenditure is being cut and the total available for

foreign aid is being reduced. In the foreseeable future Tanzania should therefore count itself lucky if it is able to hold on to its present levels of foreign aid from the bilateral donors.

It is, indeed, true, however, that if an IMF programme is agreed, Tanzania would most likely also be able to obtain a structural loan from the World Bank. All in all, the net addition to Tanzania's foreign exchange resources consequent on an IMF agreement would, therefore, be of the order of \$ 150 million per annum. For a country in Tanzania's position with a severe foreign exchange constraint, these additional resources would certainly make a significant contribution to national production and employment. Nevertheless, it is important to recognise that the new resources would be relatively small and would for example be far from adequate to even bring the industrial sector to its normal level of capacity utilization. The IMF programme would not therefore be a panacea which would put the country back on its pre-1979 path of long-term economic growth as some people blithely assume.

Moreover, the benefits of the IMF programmes would have to be balanced against the costs. These costs arising essentially from the large devaluation and reduction of subsidies and cuts in government expenditure — *would be immediate and enormous*. The price of sembe would increase several fold to eighteen shillings a kilogramme. A devaluation of the shilling by a further 60 per cent (to 30 shillings per U.S. dollar after a 20 per cent devaluation in 1983), would raise the rate of inflation to over 100 per cent per annum (13). Once an inflation rate reaches that kind of magnitude, it becomes extremely difficult to claw it back to a lower level as the Latin American experience demonstrates. Even if Tanzania's political system and political institutions which have a proven record of being stronger than those of most African countries, can survive the 600 per cent or greater increase in the price of sembe, the damage to these institutions would clearly be substantial. An essential reason for the strength of these institutions has precisely been the determination of the Tanzania leadership to follow an independent national path, based on egalitarian socialist principles, and not to bow to the capitalist oriented adjustment path ordained by the IMF. A capitulation to the IMF would, therefore, have very serious repercussions for the political system and hence for its ability to manage the economy.

Is there life without the IMF: Alternative Adjustment Paths:

The above discussion raises the central question that if Tanzania does not accept the IMF programme, is there a feasible alternative? The answer in the Tanzanian case is fortunately yes; there is indeed life without the IMF and there is more than one viable adjustment path for the economy.

One of these alternative paths is that which the Tanzanian government has already been following for the last three years, without any assistance from the IMF. During this period, the country has taken a number of measures both for short-term adjustment of the economy as well as adopted policies for longer term changes in the structure of production. The leadership fully recognises that the economy is in fundamental structural

disequilibrium in the sense discussed in section II and that there would need to be major changes in the structures of agricultural as well as in industrial production to meet the new realities of the world economy. Hence there has been a decisive shift towards allocation of more resources to agriculture; within agriculture export crops are being emphasised. A number of important institutional changes in the agricultural sector have been set in motion, for example the restoration of cooperatives in an orderly manner (14). As far as short term economic management is concerned, the government has taken significant steps to cut parastatal losses and to keep the fiscal deficit from increasing despite a depressed economy.

As noted in section II, these measures have already borne fruit. The rate of inflation has stabilised, and despite the setback to production in 1982–83, the real economy has been on the mend in 1983–84 and the GDP. growth should be positive for the first time in three years.

The above discussion suggests three important questions about the government's current adjustment policies programmes:

- (a) in what respects are they different from the IMF proposals;
- (b) to what extent are they based on the availability of foreign resources;
- (c) how long can they be expected to last and how long would it be before steady growth would be possible again. These questions will be taken in turn.

With respect to (a), it will be appreciated that many of the steps which the Tanzania government has taken to correct the structural disequilibrium of the economy are in the same direction as those recommended by the IMF. There are, however, *two crucial differences: the first is the speed of adjustment and the second concerns who bears the burden of adjustment.* The overwhelming importance of the speed of adjustment in the present situation cannot be exaggerated. The Tanzanian government has moved at slow and deliberate speed to correct the economic disequilibrium whilst maintaining the integrity of the country's system and institutions. For example, the government has agreed to increase real producer prices by 5 per cent instead of the 40 per cent recommended by the Fund as that latter figure would involve such a gigantic redistribution of income within the society as to be politically unfeasible and hence self-defeating. Another major example concerns the price of sembe – the basic staple. The Government is understandably reluctant to change significantly the price of sembe which has remained at 2.5 shillings per kg during 1983 despite a 20 per cent devaluation of the shilling (15). Under the IMF programme, however, the price of sembe would need to increase to eighteen shillings per kg.

Any neutral observer can see that no government in the world – even a Pinochet with all the guns trained on the people – could survive such an enormous increase in the price of the basic staple. In that sense the IMF programme amounts to saying that they wish to see a rather different government in Tanzania.

Similarly, in relation to who bears the burden of adjustment, under the IMF programme, this burden would be borne disproportionately by the workers and poorer sections of the society (by removal of food subsidies,

cuts in government expenditure etc). The government's own adjustment policies inevitably have their costs as well, but these are relatively much more equally shared by all sections of the society (through the system of taxation).

As for the dependence on foreign aid, the government's adjustment programme is being carried out without any assistance from the IMF and the World Bank but entirely on the basis of the *normal* amount of foreign aid from bilateral donors. If this aid continues, there is no reason why the government should not be able to successfully carry out its economic adjustment policies over the medium term. In the short to medium term, the Tanzania people should not expect to see any significant increase in per capita incomes. However over a longer time span, the prospects for the economy must be regarded as good as by then both agriculture and industry would be put on a sounder, more viable footing. In a country like Tanzania, there is an enormous scope for increasing agricultural productivity through technological improvements. Similarly, having learnt the lessons of the past, and with a better trained and skilled work force, it would be possible to create an industrial structure which is less import-dependent and which is not a net user of foreign exchange. However, these desirable changes can only come with time after the economy has successfully carried out its short and medium term adjustment targets.

The Worst Case Option

Finally, for the sake of completeness and as a thought experiment, it is also useful to consider the worst case option. Suppose the bilateral donors, despite what is said above and despite the recent events in Tunisia or Nigeria, tell the Tanzania government that they would not provide it with any economic assistance unless it accepts the IMF programme. Can the government carry out an adjustment programme without the IMF and the World Bank as well as the bilateral donors?

The answer to this question must also again in principle be yes. This is in part because as noted earlier, the larger part of the present foreign aid is project aid. If all aid is cut, it would essentially mean that the country would need to live within its normal export earnings of \$ 500 million per annum. Tanzania's fuel bill is about \$ 350 million p.a., and as a war economy, the nation could in principle survive by limiting its imports to export earnings. It would inevitably mean much greater austerity and the curtailment of most development projects for a considerable time, but if there is determined political leadership, economic adjustment over a longer period is far from impossible.

But, hopefully, it would not come to this. The donor countries, particularly the smaller North European nations, have a huge responsibility at the present time. Over the last twenty years, the North Europeans have had a very creditable record in providing development assistance to third world countries and in being concerned with meeting the basic needs of the poorest people in these countries. Today, with the economic crisis, the achievements which many Third World countries had made in the past in meeting the minimum basic needs of their poor people are in serious

jeopardy, most of all because of the IMF's adjustment programmes themselves. As a result of fiscal austerity and large devaluation which most IMF programmes include, the basic needs of the poorest are the first casualty. Consequently, the IMF Programmes instead of leading to economic adjustment, have often produced prolonged periods of political instability. The North European countries should use their good offices and any influence, admittedly very small, which they may have with the IMF to persuade that organization to permit countries like Tanzania, which have a stable political system, to carry out the difficult task of economic adjustment at their own deliberate and politically feasible speed.

VI. – CONCLUSIONS

This paper has been concerned with elucidating and commenting on the major points of disagreement between the International Monetary Fund and Tanzania, and with setting out the analytics of the alternative macroeconomic policy options for the Tanzanian economy. It has been argued in this paper that the policies being recommended by the IMF to deal with the economic crisis are not the only ones which are feasible. They are also not the most appropriate ones for correcting the fundamental structural disequilibrium of an economy like Tanzania's. There are strong grounds for believing that such policies are likely to worsen the economic and social situation rather than to improve it. Further, even to the extent that these policies succeed, the price of adjustment will tend to be paid disproportionately by wage earners and other lower income groups.

It is also not difficult to see that although the arguments are couched in technical terms, the IMF is using the present economic crisis to push Tanzania towards market-oriented, non-socialist development, in return for which the Fund would provide some economic assistance. The alternative path before that country is to attempt to solve its grave economic crisis within the framework of its existing economic and political institutions but without the Fund/World Bank assistance. In view of the seriousness of the economic situation, the latter path is extremely difficult, particularly in the short run, but it is very far from being an unviable one. On the contrary, it is the only one which will preserve the integrity of the country's political system and is also therefore more likely to succeed in its economic objectives.

Finally a word about the protracted negotiations between the Fund and Tanzania. My own view is that the gap between the two sides is so wide that these negotiations are extremely unlikely to succeed. In technical terms the central point of disagreement is about devaluation; however, in practical terms the issue is the price of sembe, the basic staple. Even if the Fund were to soften its conditionality concerning devaluation from 30 shillings to 20 shillings per U.S. dollar (which in itself is very unlikely), it would still lead to a tripling or quadrupling of the price of sembe which does not seem to me to be politically feasible. This fundamental tentacle needs to be grasped by those in the international circles who are still hopeful of a settlement between the Government of Tanzania and the IMF.

FOOTNOTES

1. For a fuller discussion of the effects of the present world economic crisis on different types of economies, and particularly the low income African countries, see my paper, (SINGH, 1983a).
- 1a. The source of statistics quoted in this paragraph is United Republic of Tanzania (1983).
2. For the IMF's own analysis of the 'success' of their African adjustment programmes, see IMF (1983). For a contrary view, see HELLEINER (1983).
3. A low conditionality standby arrangement between Tanzania and the IMF was concluded in September 1980, but was soon abandoned.
4. See, For example, TAYLOR (1983); DORNBUSH (1982); KRUGMAN and TAYLOR (1978); KATSELI and MARION (1982).
5. The IMF apparently disputes these inflation statistics on the argument that these are official figures which do not include the blackmarket prices. It believes that the rate of inflation in 1983 was of the order of 50 per cent. However, the IMF does not explain how it arrives at its higher inflation estimate: what is the methodology used and what statistical series of price increases for individual items are being employed ?
 Several observations are in order here. First, the government's consumer price index includes both controlled and uncontrolled items: the former are a very small proportion of the total. For example, 90 per cent of the household items such as furniture or shoes are uncontrolled.* Similarly, as far as one knows, there is no blackmarket in public utilities such as electricity, or in house rents which are fixed. Secondly, if blackmarket prices of the controlled items are to be included in the consumer price index there are important methodological problems which need to be clarified. How large is the blackmarket: is it a thin market or heavily traded. Then, there is the important empirical question: has the size of the blackmarket increased over time and how is that to be measured. Thirdly, there are methodological problems arising from the fact that some goods which were formerly available may no longer be available at all because of economic stringency. Is the rate of increase of prices of such items to be regarded as infinity? Whatever the answers to these methodological questions — and the IMF reveal neither its methods nor its sources — the important policy question in the context of the discussion in the text is whether or not there has been an increase in the rate of inflation during the last three years. Even if one were to grant that the rate of price inflation in the base year may be somewhat understated because of the inclusion of the controlled items, there is little evidence that this rate has *increased* over time. Over time, the number of controlled items has significantly fallen and there is no evidence that the blackmarket has grown: if anything, because of the 'crackdown' of early 1983, it has diminished. However, after June 1983, one would expect a somewhat higher rate of inflation than before because of the 20 per cent devaluation of the shilling which the government instituted. The question of devaluation and its effects is discussed further in Section IV.
6. As HELLEINER (1983) rightly points out, these statistics understate the loss suffered by the developing countries since these countries typically pay more for their imported manufactures than is reflected in the average export unit values of developed countries manufactured exports. For example, manufactured goods imported by the African countries on credit have been subject to special surcharges, which are not represented in these data.
7. Historically, Tanzania has not found it difficult to finance a payments gap of 5 per cent of G.D.P. from foreign capital flows. See further, SINGH (1983).
8. It is important to note that the Tanzanian economy is currently operating at a level of imports *25 per cent below the volumes of 1970*.

9. This fact is strangely enough even acknowledged by the *Economist* (June 11, 1983) in an otherwise vitriolic article, 'Tanzania's Socialist Safari is Lost in the Bush'. See also the *Daily News*, August 1983, which reproduces comparative international data from the *World Development Report, 1983*.
10. For a fuller analysis of these issues, see SINGH (1983b).
11. This is essentially a consequence of the large devaluation and the removal of consumer subsidies.
12. This aid need not be unconditional; it could be tied to performance with respect to capacity utilisation and production in specific industries or sectors.
13. Although the Fund agrees with the above figure for the price of sembe consequent upon the implementation of the IMF programme, it puts forward a much lower figure (of the order of 50 per cent) for the rate of inflation. However, no reasons are given and no justification is provided for arriving at this lower figure. Most Tanzanian economists expect the higher figure in the text in view of the price formation framework and circumstances of the Tanzania economy. The country imports both food and fuel; a devaluation to 30 shillings will therefore have an immediate devastating effect on the prices of these commodities which will then feed into other prices in the rest of the economy. It should also be observed that the positive effects of the IMF programme on production and employment, noted in the text, do not come from either the large devaluation or the reduction of fiscal deficit: rather they arise entirely from the net injection of \$ 150 million in foreign exchange into the economy. The reader may wish to refer to the earlier discussion of these issues in Sections III and IV.
14. For a fuller account of these measures, see the Government's Structural Adjustment Programme and the semi-annual Economic Reviews.
15. The Government has under consideration plans to raise the price of sembe to 3 or 3.5 shillings per kg but as a part of a scheme to rationalise the prices of different varieties of food staples. It is proposed that the increase in the price of sembe is simultaneously accompanied by a reduction in the price of cassava flour from approximately 4 shillings to 2.5 shillings per kg by according it greater subsidy. This would be a much more rational price structure as some of the maize has to be imported whilst cassava is entirely produced in the country.

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RESUME

La crise économique qui secoue actuellement tous les pays, développés comme sous-développés, a néanmoins des conséquences plus sévères pour les pays sous-développés. Dans ce contexte de crise généralisée, le FMI auquel la plupart de ces pays ont recours, appliquent invariablement les mêmes remèdes.

Dans cet article l'auteur se livre à une analyse du cas de la Tanzanie avec la double préoccupation d'élucider et de commenter quelques-uns des grands points de désaccord entre le FMI et la Tanzanie, puis de suggérer les fondements des options alternatives de politiques macro-économiques. L'auteur note d'abord que la crise économique que traverse la Tanzanie n'est pas uniquement le résultat d'un manque momentané de liquidités pour les besoins du commerce extérieur mais bien celui d'un déséquilibre structurel durable de tout l'appareil de production. Il aborde ensuite le problème de la dévaluation à grande échelle qui constitue à la fois une des principales recommandations du FMI ainsi que la pomme de discorde entre le Fonds et la Tanzanie. Il estime que bien que le principe même de la dévaluation ne soit pas à écarter, son application nécessite quelques précautions à prendre.

En conclusion l'auteur suggère que la seule issue pour sortir de cette crise est d'ignorer les recommandations du FMI. Il estime en effet que la Tanzanie doit résoudre cette crise économique dans le cadre de ses institutions économiques et politiques sans l'assistance du Fonds.

THE BUDGET AND THE PEOPLE*

Reflections on the 1984 Budget in Tanzania

By

Horace CAMPBELL**

INTRODUCTION

Tanzania, in Eastern Africa, for the past 17 years stood out in its verbal proclamation of Ujamaa (Socialism) and self-reliance. Since 1974 however, the Tanzanian society has been a virtual laboratory of the World Bank and the International Monetary Fund of how to penetrate and break down the resistance of the village community to the process of valorisation (1). There was a convergence of the ideas of the pro-capitalist elements of the political leaders with the international capitalists (disguised as RIDEP's (Regional Integrated Development Programmes). These representatives of foreign capital traversed the rural areas in the push to deepen the dependence of the people on Western Food aid, Western technical personnel and to quieten those elements from the working class and rural poor who aspired towards genuine self-reliance.

The 1984 budgetary proposals presented in June by the Minister of Finance demonstrated the road that the society has travelled in the centralisation of power and resources in the hands of the state bureaucrats while making a steady break with the all class alliance of Ujamaa which had been echoed since 1967. In essence the proposals went a long way towards meeting the requirements of the IMF with whom Tanzania had been negotiating unsuccessfully for over six years. Without seeking alternatives rooted in the capacity of the people, the state again devalued the currency and, in the process, devalued the return for labour while laying the foundations for further political repression as is evident in those societies such as Chile, Morocco, Tunisia and Egypt which have instituted the IMF package of devaluation, cuts in social services, cuts in food subsidies and increased taxes. The cut in the subsidy on maize should be understood as the reduction of subsidies for the working poor, for the subsidies to the unproductive and bulging bureaucracy continue. In brief, the 1984 budget established the framework for increasing the impoverishment of the vast majority by imposing a triple burden in the increase in the price of petrol (thus increasing transportation costs), the devaluation of the currency by over 35% and an end to the subsidy on sembe, (the diet of the vast majority) (2).

In this budget the political leadership of the CCM – the supreme party, gave up all pretence of planning or laying the foundations for development. Up to 1981 there was talk of a basic industrial strategy but there was never coordinated effort to link the priorities of industry nor to firmly link industrial development to the domestic resource base. The problems

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of industrial and agricultural production in the society had led to the formulation of a National Economic Survival Programme (NESP) and a Structural Adjustment Programme in 1981. By the time of the 1984 budget, the Ministry of Economic Planning openly acknowledged that NESP and SAP had failed. Crisis management and the day to day illusion that there would be injections of foreign capital sealed the economic decline as the political leadership made an all out effort to appease and invite foreign capital. Those measures against primitive forms of accumulation such as smuggling and black marketeering which had been energetically carried forward a year before were now given the green light. This laid the foundations for even further changes in the political structure as the capitalist class in the state and the party used the economic crisis to launch a rear-guard battle for hegemony in the state.

THE BUDGET ITSELF: IN THE CONTEXT OF THE WORLD CRISIS

No society in the underdeveloped world has escaped the strictures of the present capitalist crisis. Even the Minister of Finance in his presentation could not hide from the people the depth of the economic problems, while hoping against hope that the same crisis — ridden capitalist societies would come to the assistance of Tanzania. The combination of high U.S. interest rates, the creeping protectionism of the principal capitalist states, the low commodity prices and the militarism of the period had meant increased pressures on the world's poor. In Latin America, with debts of over US \$ 670 billion dollars the nations totter as the people resist the push by the leaders to remit interests to USA based transnational banks. In 1983 alone the nations of Latin America paid out over US \$ 119 billion dollars in interest payments.

The exact consequence of this crisis means unemployment, shortages of basic household items, food shortages, hunger, mass deprivation and political repression. Not content with this economic burden, the Reagan administration pokes the fires of war and military intervention with the 1983 invasion of the small island of Grenada. The hegemonic posture of the US ruling classes is reflected in all spheres of the international arena from their open support for the South Africans (through the theory of constructive engagement) to their opposition to UNESCO and the call for a new international information order.

Tanzania has been one of those poor states which for the past ten years has been calling for a new international economic order. Through the medium of international fora such as the UNCTAD, and through bilateral meetings such as the 1980 Arusha Conference on the IMF, the Tanzanian leadership vociferously opposed the hegemonic thrust of the imperialist states (3). However these verbal statements were not backed up by concrete proposals for a full mobilisation of local resources: local private capital, local initiative, and full participation of the working people. For this course of action to have occurred would have meant a confrontation with those elements in the party and state who were shouting the slogans of self-reliance while openly enriching themselves and their relatives. Thus at all times the only real hope in the atmosphere of crisis management

was infusions of aid from the friendly Scandinavian countries until the West recovered from the economic depression.

Meanwhile, to the conscious masses, a whole host of reasons were given for the absence of planning. Among these were the problem of the weather, the high cost of imported petroleum products, the war in Uganda and the low commodity prices. The President who had given intellectual coherence to the above reasons, had in the past vowed to oppose the harsh conditionality of the IMF and had vowed, at the peasant day celebrations in Kigoma in July 1981 that Tanzania would never end the subsidy on sembe. In the month of July 1981 workers and peasants all over Tanzania had responded positively to the word of the President and had marched to show their opposition to the demands of the IMF. Biblical analogies were invoked to say that those who looked back would be turned into stone. After the 1984 budget the workers and peasants had no alternative but to think that the party and government had turned into stone: an unthinking bureaucratic stone which turned its back on the vast mineral and agricultural resources to join the queue to humiliate Africa by begging food from those who had partitioned and underdeveloped the continent for over one hundred years.

RECURRENT EXPENDITURE

One of the tasks of those who want to penetrate the essence of the present economic direction is to unravel the mask of the language of the economists and state planners who use the economic crisis to obscure basic facts of how the economy is managed or mismanaged. Every household knows what a budget is. It is an integral and absolute part of their daily life, creating the parameters of their hopes and aspirations. Working people look at their monthly wage and consider how much they have to spend on food, transport, rent, children's clothing, medicine, paying their bills and if possible to buy a drink and/or smoke a cigarette. In Tanzania the amount of food coming from the *shamba* (small garden) is also measured. This is elementary budgeting, and if any worker ignores this or fails to organise their earnings they know that the first to suffer will be their families and themselves and that their lives will slide into chaos.

National planning and national budgets involve the same principles, albeit at a higher stage of conceptualisation, organisation and planning. National budgets should involve the totality of what the people can earn, borrow and that the people must be aware of how the money is to be raised and spent. Although Tanzania put out a socialist image after 1967, its budgetary planning and control did not deviate significantly from the cost accounting system of the colonial state.

What is clear from the budget proposal is that the expansion of the bureaucracy and the concomitant expansion of the state sector has taken an inordinate percentage of the recurrent expenditure. Hence the day to day business of running and maintaining the administration has taken up a larger share of the national income. The taxes, customs duties, tariffs and other forms of government revenue have not been able to

keep pace with the recurrent expenditure. Tanzania has been spending far more than it earned or could borrow, so that even the aid received for development projects such as roads, water supply systems, clinics or irrigation purposes had to be diverted to recurrent expenditure. The 1984 budget clearly reveals a pattern which was clear from 1974, that the trend is for a wider gap between expenditure and revenue:

Trend on Recurrent Revenue and Expenditure								
	76/77	77/78	78/79	79/80	80/81	81/82	82/83	83/84
Recurrent Revenue	5250.3 ⁺	6057.0	6669.2	7759.1	7934.1	9977.3	12602.5	12500.0
Recurrent Expenditure	5022.2	5840.1	8914.6	7543.4	9789.8	3213.9	14589.3	15620.0
Gap	+238.1	+217.0	-2245.4	+225.7	-1955.7	-2236.6	-1986.8	-3120.0

Source: *Figures from 1984/85 Budget – Daily News June 16, 1984.*

+ Shillings Million
* Estimate.

This trend had deepened by 1984 and in the proposals the following budget frame was proposed by the Minister:

Recurrent Expenditure	Shs. 18,119.7 million
Development Expenditure	Shs. 6,560.4 million
Total Expenditure	Shs. 24,680.1 million
Recurrent Revenue	Shs. 15,028.1 million
Grants and loans	Shs. 3,015.0 million
Non-bank borrowing	Shs. 1,437.0 million
Total Revenue	Shs. 19,480.1 million
Cap/Bank borrowing	Shs. 5,200.0 million

Source: *1984 Budget figures. 1984.*

Two features emerge clearly from these figures:

- that the Tanzanian economy is highly dependent on grants and loans to the tune of over Shs. 3 billion and*
- that the bank borrowing by the state increases the inflationary pressures on the society so that when added to the imported inflation they impose an intolerable burden on the masses.*

Even though one can hardly trust the accounting of the state, the figures show clearly that since 1976 the portion of the resources consumed by the bureaucracy, administration and the coercive forces has created a significant shift in economic and political power in Tanzania. This expenditure plus the reliance on foreign aid and grant reflect the alliance between the Tanzanian ruling class and Western capitalism. A further elaboration of the process is worth noting.

Since 1974 recurrent expenditure went from 63% of the budget to over 75% in 1982. Development expenditure dropped from 37% in 1974 to 25% in 1982. Similarly it can be seen that general administration and expenditure on the military, police and prisons account for more than 35% of recurrent expenditure.

A breakdown of the figures of the economic surveys for the year 1974–1982 reveals the followings:

Administration	18%
Military	17%
Social expenditure, (water, school, clinics etc..)	20%
Economic services (simple reproduction)	21%
Payment of debts	24%
	<hr/>
	100%

Source: *Economic Surveys 1974/1982. The Flow charts of monthly expenditure kept by the Treasury is also a useful source.*

Thus the trend shows that the highest component of what is spent is on repression (administration and military) and to pay for the interest on debts, politically expressed as the alliance between the bureaucracy and the West. At present the foreign debt of close to US \$ 3 billion is small compared to the huge debts of Mexico, Brazil or Argentina but as part of the recurrent expenditure of Tanzania it eats out a large portion of the income of the working poor. As a share of the budget the debt service payments have increased from 7% in 1974 to over 24% in 1982.

It is necessary to plough through the figures for it has consistently been claimed by the monetarist economists that the crisis in Tanzania stems from the fact that the state committed itself to free primary education and improved social services without the means to pay for these services. However a critical examination of the breakdown of the tables show that the rural poor has been subsidising an import-substitution sector which is unproductive and cannot produce the goods needed by the people (4). Examples abound of the debts incurred to set up factories to produce consumer goods but where the Tanzanian society was laden with obsolete technology without the prospect of producing the minimum requirements: soap, bicycles, shoes, books, pencils, paper, cooking oil or needed spare parts (5). Elements within the party and the state in alliance with foreign capital continued to develop a programme of basic industrialisation which never had a basis in the technical conditions of the labour process. Tanzania is in need of an industrial strategy which can provide the basic goods of Department I of industrial tools equipment and farm implements but the strategy of the parastatal industrial sector (the National Development Corporation) fostered waste, corruption, inefficiency, kickbacks and bribery. In the process a standard of corruption was taking root at every level of the society.

There never was a social force in the society capable of checking the developing corruption of the soul of the society. In 1981 and 1982 the Tanzanian Advisory Group – (an ad hoc group of experts which came in to break the impasse between Tanzania and the IMF) had made recommendations to weed out corruption which came as part of the package called the Structural Adjustment Programme. One of the principal arguments of SAP was the need to increase efficiency and accountability in government operations. But because this was declared in moral terms there was no possibility of implementation. What was required was a realignment of political forces and the working poor lacked the social weight and organisational strength to put a brake on the forms of petty bourgeois accumulation and consumption.

As a sop to the Tanzanian Advisory Group, the state established a number of probe commissions but after three years the details of mismanagement and thievery in the parastatal sector have not been revealed to the general population. The budget of 1984 had references to these commissions. It called for stricter use of state property including new regulations on the use of the SU (government vehicles) and the introduction of VMP (vehicle movement permits) to monitor the movement of government vehicles. This proposal had no future for the very same persons who were supposed to police the movement of vehicles and to issue the VMP were the same officials using the vehicles for personal use and misuse. Though the measures taken to curb the excesses of the bureaucracy were only given lip service, those measures which affected the proletarianised masses took effect immediately. The devaluation of the currency took place the next day, the petrol prices increased the next week and as of July 1 the state started a vigorous campaign to collect a head tax (called development tax) from all adults over the age of 18 years old.

THE BURDEN ON THE POOR

A peoples budget would need the direct political participation of the masses in halting the exorbitant costs in the running of the state. But because the local capitalist class is yet evolving they need the parastatal agencies to shelter their slow quest to accumulate. As of yet the principal institutions for the export of capital: the banking system and the import-export sector, are firmly in the hands of the state hence the continued alliance between capital and the state. The thrust of the budgetary proposals and its impact is to progressively delink the all class alliance of the independence compromise and to openly place the burden of capital accumulation on the workers and the peasants. In essence the head tax is to halt the elementary forms of resistance by those peasants who uprooted coffee trees and others who refuse to grow cash crops.

Taken together, the devaluation of the currency, the head tax, and the cut in subsidies on sembe and fertiliser are meant to raise the production of export crops and to stimulate exports in order to ease the chronic balance of payment problems. In this direction the budget announced new producer prices for the major export crops.

This increase in prices was justified in the name of supporting *peasant agriculture*.

One needs to approach this so-called support for the peasantry with extreme caution. For in reality while the whole policy of Ujaama was conceptualised on the basis of strengthening agricultural production the resources of the state in the period 1974–1979 were dumped into the «industrial» sector. To add to this is the fact that the bank borrowing by the state to support the unproductive crop authorities and parastatal institutions has intensified the inflationary pressures on the peasantry. Hence though the budget improved producer prices, the peasants know that the shilling can hardly buy what it bought before because of inflation. Moreover the absence of basic goods ensured the peasants would not respond to the increase in the local shilling price of coffee, tea, tobacco and other goods destined for European consumption.

The peasants know that the prices of agricultural commodities have fallen drastically in the present economic depression. It was President NYERERE who in his address to the Party Congress in 1982 said that: «we used to receive Shs. 40 per kilo for the best mild coffee in the 1976/77 season; in 1981/82 we received an average of Shs. 24.4 per kilo – a price drop of over 40%. Tea and tobacco prices also dropped during that period – in one case by 29% and in another by 12%».

«To buy a seven ton truck in 1981 we had to produce and sell abroad four times as much cotton, or three times as much cashew, or three times as much coffee, or ten times as much tobacco, as we had to produce and sell in 1976/77» (6).

The World Bank in its *World Development Report* of 1983 repeated the same picture of the drop in commodity prices. Its composite commodity price index of 1948–82 of the non-oil commodities (such as coffee, cocoa, tea, maize, rice, wheat, sugar, tobacco, groundnuts, cotton, bananas, copper, bauxite, copra among others) has fallen below 80 if the index for 1977–79 is one hundred (7).

The emphasis on support for the peasantry by the budget and state intellectuals in their claim of the turn towards agriculture must be understood in the context of the fall in commodity prices and the resistance of the peasantry. During the big depression of 1929–1934 the peasantry had withdrawn their labour and to remedy this the British colonialists had launched a vigorous *Plant More Crops* campaign (8). Now in the midst of the second major depression of this century the neo-colonial state adds to the exhortation of «produce or perish» taxation and coercive measures to ensure the increased production of cash crops. However the resistance of the rural poor has to be connected to the role of the Crop Authorities in draining surplus from the rural village communities. The inefficiency and lack of accountability by the crop authorities meant that these oligopolies were *in arrears* to the extent of over Tz. Shs. 2 billion. According to budget: «Until December 1983 the crop authorities were in arrears to the extent of Shs. 2.525.7 million shared as follows: (9)

i)	TCA*	Shs. 1,170.0 million
ii)	TAT	Shs. 388.6 million
iii)	GAPEX	Shs. 240.8 million
iv)	CATA	Shs. 211.5 million
v)	TPB	Shs. 147.5 million
vi)	TTA	Shs. 128.2 million
vii)	NMC	Shs. 440.4 million

These arrears by the state crop authorities have meant that the marketing authorities have been borrowing heavily from the banks to finance their operations. The increase in bank borrowing from Shs. 2,245 million in 1978/79 rose to Shs. 3,120 million in 1983/84. By the end of 1980 credit for the marketing of agricultural crops was estimated to be 75 per cent of total domestic credit. The official inflation rate induced by this bank borrowing has risen from 13 per cent to over 27 %. Unofficially the inflation rate was over 80 %. The full effect of this inflationary pressure is to intensify the burden on the rural poor so that basic items such as sugar, soap, salt, kerosene, flour and textile are out of their reach. Because of the absence of these commodities in the villages there is no real incentive for the peasants to produce cash crops. So that in spite of the fact that the state has been increasing producer prices for the past three years, there have been declines in output of sisal, coffee, tobacco, cotton, pyrethrum and cashewnuts.

Crops 000 tons	1974	1980	1982/83
Sisal	124	74	61
Coffee	52	67	54
Cotton	221	175	128
Tobacco	18	17	14
Pyrethrum	4.7	2	1.6
Cashewnuts	118	34	32

These declines reflect both the inability of the state to properly collect what is produced and the resistance of the peasants to the production of export crop. And yet because the stress of the new agricultural policy is to continue to plough resources into export crops there has been an unquantified drop in food production. Hence in the past three years the state has had to import large quantities of food. The food imported were as follows:

* i) *Tanzanian Cotton Authority*; ii) *Tobacco Authority of Tanzania*; iii) *General Agricultural Products (handles groundnuts oil seeds etc.)*; iv) *Cashewnuts Authority of Tanzania* ; v) *Tanzania Pyrethrum Board*; vi) *Tanzania Tea Authority* and vii) *The National Milling Corporation*.

	1981/82	1982/83	1983/84
Maize	231,699 tons	122,684 tons	228,550
Rice	66,650 tons	29,373 tons	58,756
Wheat	50,072 tons	9,375 tons	39,024

Source: *Budget documents*.

The increase in imported food is also in part because there is no real inventory of the food situation in the country. The state simply cannot say how much of the locally grown food is exported by the peasants to Zambia, Kenya, Burundi or other neighbouring territories. As Fanon remarked on the ruling petty bourgeoisie more than twenty years ago:

«The economy has always developed outside the limits of their knowledge. They have nothing more than an approximate, bookish acquaintance with the natural and potential resources of their country's soil and mineral deposits, and therefore can only speak of these resources on a general and abstract plans» (10).

FOOD AND REPRESSION

It was the former Agriculture Secretary of the USA, Earl BUTZ who stated clearly that «Food is a weapon ». It is now one of the principal tools in our negotiating kit. Susan GEORGE in her book: *How the other half dies* traced how the USA consistently used food as a weapon in international diplomacy (11). Since the USA has developed this principle of exporting food and simultaneously changing the dietary habits of millions of people, many third world leaders have used their control over the distribution of food for political purposes. In the first place the dependence on food imports places a society in a situation of real dependence and secondly the control over distribution in situations of scarcity gives the state greater power over the lives of those who depend on the mechanism of the state to ensure a proper diet.

In Tanzania the distribution of food like the distribution of scarce commodities has given more power to the officials of the state over the lives of the people. The situation in rural Tanzania abounds with tales of tragedy as the shortages are compounded by the arbitrariness of local functionaries. The campaign called *Nguvu Kazi* (forced labour) gave the security personnel even greater powers than before.

It became clear from the situation in the rural areas that the real incentive to the peasantry is not producer prices; but a better life where they can get clothes, shoes, medicine, paper and books for their children and clean running water. This is not demanding too much in the era of personal computers, word processors, micro chips and when the state spends Shs. 900 million to build a new airport.

If the use of resources seems callous, the incessant trip abroad to beg for food aid seems to be the biggest insult to the poor. Tanzania has all the climatic characteristics of Africa from the cool hills of Mbeya

to the hills and valleys of Kagera; from the fertile Ruvuma and Rukwa to the dry plains of Tabora and Dodoma. From the steps of Mt. Kilimanjaro to the Usambara mountains and to the Kilombero plains the potential for food and livestock development remains extremely high. (12) Undoubtedly there are regions which suffer from drought such as parts of Tabora, Shinyanga and Mwanza but it would be erroneous to blame the current crisis of food production on drought and bad weather. The problem lay in part in the contradictory demands for more cash crops. Further expansion of agriculture has to be conceptualised not merely in increased acreages and coercive campaigns such as *Nguvu Kazi* but also in terms of changing agricultural methods, technology and organisation.

It is not coincidental that the soil erosion, drought, desertification and famine are taking place in those areas where the push for regressive cash crops such as tobacco and cotton has been most intense since 1900. Exhaustion and soil erosion are not insurmountable problems but problems which can be overcome with proper irrigation, mechanisation and provision of inputs such as electricity, fertilisers and pesticides.

If the present ruling class in Tanzania spent one third of the transport costs used to import the food aid to Tanzania, to provide roads and proper transport to the food exporting regions of Mbeya, Rukwa, Iringa and Ruvuma, Tanzania could be a net exporter of food: even with the widespread use of the hoe. It seems from the activities of the state that it is easier to beg for yellow maize from 'donors' than to build up the proper social and technical infrastructure to grow and move food from surplus regions. This is bearing in mind that the costs in importing food aid are beyond monetary costs, exemplified with the introduction of the large grain borer to the maize growing regions of Tanzania. It is ironical that while there is no scientific evidence of how the pest (called scania by the peasants) was introduced there is already an aid project to combat this scania.

THE SEMBE SUBSIDY

The attention paid to food in the budget is important given the centrality that maize and maize meal products play in the life of the working people; especially those in the urban areas who are separated from their means of subsistence. One of the central plans of the budget and an item which has been insisted on by the IMF has been the removal of the subsidy on *sembe*. By the facts and figures of the budget the increase in the price of *sembe* stems not only from the price structure but also from the cost structure of the state's marketing outlet; the National Marketing Corporation. One cannot deny that there has been a subsidy to the urban poor but there has simultaneously been a subsidy to the bureaucrats of the NMC for in 1981 the operational losses of the NMC amounted to over Shs. 2 billion. The budget stated:

«In the past 3 and half years the government spent Shs. 1983 million on food subsidy, (Shs. 133 million on sembe and Shs. 750 million on NMC debt arrears).

It is necessary to penetrate this charge of the subsidy on sembe for during this period the government was charging in excess of Shs. 1,000 – for each ton of sugar. That brought in millions of shillings; Yet the excess tax on sugar consumption remains while the subsidy on sembe is removed. Part of the subsidy in the price of sembe has been to the NMC which forms one link in the chain of state enterprises drawing surpluses from the peasantry. By their own reckoning the subsidy to the NMC could produce 113,536 tons on maize at today's prices. It is for this reason that the question of the subsidy on food can also be seen as a class issue.

THE BUDGET AND THE WORKERS

The key element in the removal of the subsidy on sembe is to increase the price of food and simultaneously weaken the bargaining position of the urban workers. Because of the explosive nature of the economic crisis, the urban workers could spearhead the opposition to the present direction of state policy as they did in an early period 1945–1949. At the same time the increase in food prices removes another hedge against absolute impoverishment of the working class. It required the most conservative intellectuals to justify this measure as a pro-peasant policy when the general debility of the working population had already been adversely affected by the reduction of imports related to basic needs and the running down of the meagre social services such as water, transportation and the provision of medical services. The frequent outbreaks of cholera and the malaria epidemic in the society already expose the crisis in the health and well being of the whole society.

Thus the budget in 1984 served to sharpen the process of the immiseration of the poor. Taken together with the devaluation of over 35%, the increases in the price of petrol and the removal of the subsidy on sembe, the budget represented a triple blow on those who depended on fixed incomes. Already in the University and outside there are those who questioned the merits and demerits of the devaluation (13). While the arguments over percentage and the impact of the devaluation will persist, the real devaluation is in terms of devaluing the labour power of the Tanzania producers. The Tanzanian state through the expedient of devaluation reiterated the conception of the IMF of the international division of labour; that the Tanzanian workers were to be at the bottom of the pile.

Calculations made in 1980 before the spate of devaluation (when the Tanzanian shilling was then valued at 8/ – to the dollar compared to July 1984 17/20 to the US \$) showed that the minimum wage was Tz. Shs. 480/ and the average wage in the towns in establishments of ten or more employees was Tz. Shs. 725/. Yet the average real wage in terms of the buying power of the workers was Shs. 189. The following table gives an indication of the fall in the real wages of the workers.

Table: Average wage/salaries in manufacturing establishments with more than 10 persons

Year	Average nominal wage/ salary per month*	Average real wage/ salary**	%change in Average wage/salary from pre- vious year
1969	340	340	—
1970	383	370	+ 8.8
1971	401	370	0.0
1972	465	398	7.6
1973	487	378	-5.0
1974	563	365	-3.4
1975	613	315	-13.7
1976	627	302	-4.1
1977	645	278	-8.0
1978	674	236	-15.0
1979	677	231	-2.1
1980	725	189	-18.2

* Total wage bill/salary divided by number of employees.

** Nominal wage/salary index deflated by cost of living index of goods and services consumed by urban dwellers Tanzanian mainland.

Source: From thesis of C.S.L. Chachage and compiled from Economic Surveys 1977-1978 and 1981 Government Printer 1981.

These figures help to complete the picture of the worsening conditions of the workers for by 1981 when the minimum wage was Tz. Shs. 600/=, the minimum budget for food only per month for an average household of 4 persons was Shs. 900/=. And since 1981 the economic conditions deteriorated to the point where the crisis management team at the Ministry of Finance was calculating the position of the state on a day by day basis. By 1984 the minimum wage had been increased to Shs. 810/=; the real purchasing power of this was less than Shs. 100/=. The situation was so deplorable that even the official state trade union leaders of JUWATA had to come out with a statement that the minimum wage of the budget did not «correspond to the realities of the prevailing adverse economic situation and was arbitrarily announced» (14). The Secretary General of the trade union centre could not specify the class nature of the budget but he pointed out the combined effects of the devaluation of the increased prices for food and petrol and noted that the real take home pay of the worker will be considerably less.

It can be asserted on examination of the facts and figures of the economy that the depression in the wages is but one component of the general oppression of the workers in Tanzania. In spite of the verbal declamations of socialism and Ujamaa the social despotism of capital increases daily. Because of the present rush to open up the economy to foreign capital and because of the unplanned enlargement of the industrial base of the economy since 1974, there have been no checks for the standards of health and safety at the place of work.

Tanzania is not in a favourable position to attract huge amounts of capital for as of yet the economic and technical infrastructure of the society is undeveloped. Foreign capital in this era of crisis is looking for areas where the social and economic conditions could facilitate a rapid turnover for investment capital. Not even Zimbabwe which in 1981 announced a most favourable climate for foreign investment was able to attract more than US \$ 30 million in the past four years. And the economic infrastructure in Zimbabwe was far superior to that of the other states in the SADCC Group.

Indeed because of this situation the Tanzanians (who incidentally have the brief for the industrial developments within the SADCC Group) have allowed capitalists to operate in Tanzania in conditions which they would not obtain in the most advanced capitalist countries. For example, at the time when there is a major outcry about the effects of asbestos, the production of asbestos continues in the most primitive and dangerous conditions for workers. Slowly over the past ten years the alliance between foreign capital and the state has built up a lopsided industrial sector which consumes valuable foreign exchange but cannot produce clothes, shoes, cooking oil, soap, toilet paper or books. Examples abound of the tied projects which drain resources and I would like to draw our attention to the saga and tragedy of the Southern Paper Mill complex which has been promised in Mufindi District for the past five years.

From the very basis of its conceptualisation the project was part of a larger plan in the international division of labour where industries which pollute the environment are located in the Third World. The pulp and paper industry is one such industry and already in Sweden, Canada and Japan there had been appeals from environmental groups about the effects on plants, animals and humans from the effluence of the paper mills. This opposition became more intense after the problem of minimata disease in Canada and Japan when intense pressures were being placed on capital to develop anti-pollution devices in paper mills. In the era of acid rain in Europe and North America this problem became more acute for pulp and paper manufacturers.

It is in this environmental context that one needs to place the multilateral project of the Tz. Shs. 2345 million paper complex which was supposed to make Tanzania self-sufficient in paper, sack kraft and newsprint with enough for export. In every phase of its operations the project has been marked by hazards which reflect the technical conditions of the process of production and reproduction. The road from the Sao Hill Forest which was supposed to take some of the pulp to the factory was only 5% complete by July 1984. The firm which was awarded the contract worth 211/ million was pressing for even greater repatriation of profits and left without fulfilling its contract. The conversion of the plant from coal to electricity will delay the project for another three years. Originally the mill was planned to be powered by coal from the vast coal deposits in Mbeya region. However because the process for recovering this coal has not yet got underway, midway through the project it was decided that the plant would be fuelled by hydro-electric power. This conversion is still under way. In 1983 more than 80% of the forest which had been nurtured for the future use in the mill had been destroyed by fire.

These problems are those which are known to the public and far more research will be needed to specify the potential dangers to the economy and society from this mill. Information on the anti-pollution standards for the effluence from the mill is still not known by even the bureaucrats of the National Development Corporation. Not only has this project been a drain on foreign exchange with US \$ 70 million dollars over-run in 1982, but also the promise of pollution and the dependence on Swedish pulp for a long period should call for a major evaluation of the efficacy of the project. The promise of books and papers for the system of Universal Primary Education has been one of the principal reasons for the continuation of this project which should have been completed in 1982 but would not be open by 1990 even if all the resources were available for the work to continue without interruption.

The problem of books and paper in the society is of course a very real problem. And in keeping with the class nature of the budget there was the introduction of new costs for parents to keep their children in school; Shs. 1500/ – for pupils in boarding schools and Shs. 350 for those in day schools where lunch is provided: this measure erodes the principle of equal access to education for all for it ensures that there will be even greater differentiation in the access to higher education. Like the colonial era when only the sons of chiefs and other children of 'big men' had access to the world of learning, this measure turns its back on the principles of education and self-reliance. And even if it can be justified that parents should bear some of the costs of education, these costs could only be justified if there were efforts to improve the conditions of learning. The University, where students carry chairs between classes and where there is a chronic water problem is a mirror of the decline of the educational system at all levels. Of course the whole superstructure of knowledge and learning could not escape the overall decline which was taking place in the economy and society.

FROM COLONIALISM TO COLONIALISM

Even before the announcement of the budget, the state brought out a plan to bring back the onerous head tax of the colonial society under the new title of *development levy*. During the colonial era, taxation and the threat of force behind taxation measures were the principal means of alienating the labour of the subsistence producers. Because the amount of capital invested was not enough to convince the peasants to produce cash crops for Europe, taxation became the 'symbol of the subjection and the chief stimulus to participation in the money economy'. It is for this reason that one of the outstanding grievances of the anti-colonial movement was the opposition to the head tax where all adult males had to pay taxes (16).

In 1984, the neo-colonial state resorted to this colonial measure to force the peasants to either produce cash crops or to sell their labour. This measure follows on the heel of another coercive law: the Human Resources Deployment Act of 1983 called forced labour *Nguvu Kazi* by the masses (17). This law attempted to follow the example of the commandist colonial practice of transferring the unemployed to their home

districts thereby reinforcing tribal consciousness. Thousands of residents of urban areas who could not properly identify themselves were rounded up to major centres and forcibly 'repatriated' to their villages. It is not surprising that the legal framework of this legislation was a carbon copy of the colonial Labour Utilisation Ordinance Chapter 243 of 1947. Hence the rights which were granted for the freedom of movement after independence were being eroded by the forceful measures being attempted to deal with the economic depression in Tanzania.

The combination of the policies of forced labour, the Development (head) Tax and the pro-capital budget underscores the fact that the trend is the consolidation of the link between the state and international capital. Up to the period of the calling in of the Tanzanian Advisory Group and the Structural Adjustment Programme, there was a pretense by the party that there was to be a programme for economic recovery based on the mobilisation of local capital and local resources. But the way in which the budget was formulated showed that even members of the Central Committee of the Party were not informed of the far-reaching proposals. This kind of secrecy is necessary for it reflects the requirements of the IMF that the policies of the IMF be implemented without discussion.

The real tragedy is that, even among the intellectual workers at the University, there is no clarity that the present World Crisis of capital is not a passing phenomena but a major crisis reflecting a drastic turn from the boom which existed since World War II. In the absence of a clear understanding of the implications of this economic depression, those who were trained in the monetarist philosophy deceive the poor that the budget was pro-peasantry. They do not explain that the foreign debt of Tanzania amounts to over 50% of the Gross Domestic Product and over 424 % of future export earnings. This meant that at least for the next four years the production of the peasantry has been mortgaged to pay for the loans and grants which incorporated Tanzania closer into the world capitalist system.

The political repercussions of the 1974 budget will be to increase the power of the state and the coercive agencies over the lives of the rural poor. Already the administration of coercion consumes over 35% of the recurrent expenditure and this is reflected at the political level by the number of military officers who police the rural areas as District Party Secretaries or Regional Party Secretaries. This militarisation and commandism stand in opposition to the declared objectives of the Party. And yet because of the undemocratic and hierarchical tendencies of the Party this has been reflected at all levels by the lack of accountability by senior state personnel. Accountability is a political problem and thus all the lack of efficiency and stricter control remain elusive without real democratic participation at all levels of the society.

This problem of political and economic democracy will become even more glaring in the new thrust to use the reinvigorated cooperative movement to become the vehicle of the new agricultural policy. The success of the cooperative movement has always been related in the past to the abilities of the poor peasants to participate meaningfully in the operations of the cooperatives. If there is no democratic participation in terms of the use of resources and access to the returns, then the cooperatives will become the arena of decentralised accumulation.

More significantly, the present agricultural policies are not geared to endear the peasants to produce more. Far too much of the past and present resources are routed through the traditional export crops. All the experts have urged Tanzania to export more cotton, coffee and tobacco to raise 'the import capacity of Tanzania'. Not enough research has been done to show the possibilities of agricultural diversification and for the potential export of soya, maize, millet, and import of other cereals. The present food crisis should have alerted those pro-people elements in the Party and the University of the political implications of importing food from the West, yet the push to export cash crops continue. Food shortages in Africa in the present era is part of the policy of the West to erode the concessions of the anti-colonial period. Tanzania has benefited significantly from the resilience of the rural poor but the cynical waste and arbitrariness at the helm of state power is leading to a breakdown of the cohesion of the society.

The economic deterioration and slow down has not yet brought about the kind of manifestations as did the workers of Tunisia, Morocco or Sierra Leone in 1984. In these states as in all others of the underdeveloped world, the failures of the IMF policies, which are barometers of the failure of the IMF to deal with the global crisis, have led to uprisings where workers and small farmers have sought new forms of organisation, expression and leadership. In Tanzania, the incomplete crystallisation of the working class remains one of the brakes on militant class action. Secondly the reversals in Southern Africa with the Nkomati Accord (18) have shown that there is a possibility of a collapse of the anti-apartheid coalition which emanated from Dar-es-Salaam since 1964. Working people in the society simmering under the daily hardships recognise the balance of political forces and know that at present they cannot stand up for their rights without organisation.

The nationalist all class organisations which emerged after the Second World War were able to lead the anti-colonial struggle. This nationalism has been unable to lead the struggle for economic liberation and hence the nationalism of this epoch has become a negation of itself. It has come to stand for the negation of the things which the people were struggling for: a better life, freedom, self-respect, knowledge and independence. The ideology of all class unity needs to be transcended so that the popular struggles of the masses come to the fore. This requires a sharpening of the class struggle where the workers and poor peasants who suffer the most from the crisis become the dominant element in the social process.

Thus in the absence of the sharpening of the class struggle, the forms of resistance reinforce the search for 'individual' solutions by workers. Among the peasantry the resistance takes the form of cutting down coffee trees or forming peasants armies. The most militant expression of the opposition of the peasants to the commoditisation of cattle and to brigandry has been the rise of the *Sungu Sungu Movement* in Tabora, Shinyanga and Mwanza regions (19). As of yet there is not enough research on the origins and growth of this peasant army which eluded the control

of the coercive forces for more than four years. This popular army was an attempt to use pre-capitalist relations and ideology to resist the further penetration of capital in the rural areas of Tabora and Mwanza regions. It was an impossible attempt, for the real needs of the rural areas were forms of organisation and production which could supplant the capitalist relations which have been implanted since colonialism. Efforts by the state to coopt Sungu Sungu into the circuit of rural policing have led to confusion and chaos.

The crisis in the countryside and the chaos over the lines of authority between the Sungu Sungu and the state representatives is but one sign of the disintegration and desperation which is being sped by measures such as the 1984 budget. Some workers and peasants who are disoriented, and confused even shout the slogans which call for their own repression; e.g. Nguvu Kazi Juu, Juu.

For the intelligentsia, the present ideological and economic crisis offers a challenge to those who want to place their knowledge on the side of the oppressed for real transformation. Tanzania has been a politically stable but poor society whose development was blocked by colonial mandate and now neo-colonial neglect, corruption and sloganneering. The struggle to fully develop the resources of the society and the potential of the people remains a major challenge. The budget of 1984 has helped to clarify the illusions which have been created by the Arusha Declaration. An immense task awaits the toilers in Tanzania.

FOOTNOTES

1. This conception of Tanzania being a laboratory for the World Bank was developed by Cheryl Payer. The World Bank and Tanzania, *Third World Quarterly*, October 1983.
2. The full text of the Budget was reported in *The Daily News*, June 16, 1984.
3. For an analysis of the Tanzanian/Jamaican initiative on the IMF in 1980 see *Development Dialogue*, No. 2, 1980.
4. ILO-Report: *Basic Needs in Danger*, pp. 212–215.
See *The Structural Adjustment Programme for Tanzania*. Republic of Tanzania Ministry of Planning and Economic Affairs Dar-es-Salaam, 1982.
5. The two most important examples are the bicycle factory and the Morogoro Shoe Factory. For an analysis of the industrial sector in Tanzania see W. Biermann; «Tanzania: Industrialization and its impact on economic dilapidation» – *ERB Seminar Paper*, 1984.
6. *Five Years of CCM government* key note address by the Chairman of the CCM, Julius K. Nyerere 20th October 1981.
7. IBRD: *World Development Report 1983*, pp. 11.
8. See John Iliffe, *A Modern History of Tanganyika*, Cambridge University Press 1979, See especially chapter 11.
9. Budget Report – *Daily News*, June 16, 1984.
10. Frantz Fanon, *The Wretched of the Earth*, Penguin Books, 1967, pp. 121.
11. Susan George, *How the other half dies*, Penguin Books London, 1976, pp. 192.

12. J.V.S. Jones, *Resources and Industry in Tanzania Use, Misuse and Abuse*, Tanzania Publishing House 1983.
13. Daily News, June 16, 1984.
14. The question of devaluation has been intensely debated inside and outside of Tanzania see interalia.
 - a) *Basic Needs in Danger* ILO. Report on a Basic Needs Oriented Development Strategy for Tanzania, Addis Ababa, 1982, pp. 24-26.
 - b) A Singh; «The IMF Programme» *Daily News* February 24, 1984.
15. «Accidents and All Health at Work: An Analysis of causes and effects in Some Tanzanian Industries by Dr. A.D. Kiwara and George J. Makusi.
16. W. Rodney, 'Policing the state in colonial Tanganyika' Universities Social Sciences Conferences, Dar es Salaam 197.
17. Laws of Tanzania Act 6 of 1983. The Human Resources Development Act.
18. Horace Campbell: «War Reconstruction and Dependence in Mozambique» *Third World Quarterly* October, 1984.
19. P. Masanja: «Some Notes on the Sungu Sungu Movement» Department of Sociology, Seminar May 1984.

RESUME

Dans cet article, l'auteur retrace une historique de l'évolution politico-économique de la Tanzanie, avec son «Ujamaa» (socialisme) s'appuyant principalement sur l'auto-dépendance et sa résistance à la pénétration du capitalisme international, incarné par la Banque Mondiale et le Fonds Monétaire International (FMI). D'après l'auteur, les propositions budgétaires de 1984 marquent une coupure nette dans cette tendance historique : En effet, en sus de la centralisation du pouvoir et des ressources entre les mains des bureaucrates, ces propositions vont dans le sens des exigences du FMI.

Horace Campbell dénonce en outre la mauvaise planification de l'économie tanzanienne ainsi que l'incohérence et les divisions politiques existant au sein même du Parti ; il s'en prend aussi au contrôle budgétaire. Les dépenses les plus importantes se font en faveur de la répression (administrative et militaire) et du paiement des dettes, avec un système administratif corrompu à la base et à tous les niveaux de la société... La distribution des denrées alimentaires est devenue une arme aux mains des fonctionnaires d'Etat pour des objectifs politiques, et pourtant, avec des changements au niveau des méthodes agricoles, de la technologie et de l'organisation, ainsi que la réduction des cultures d'exportation, le paysan tanzanien ne devrait logiquement pas souffrir de la faim. Ce problème alimentaire occupe d'ailleurs une place importante dans le budget. En fait les trois facteurs les plus «déprimants» dans le budget 1984 sont : la hausse du prix du pétrole, la dévaluation de plus de 35% de la monnaie et le retrait de la subvention du «sembe» (produit alimentaire de base).

L'auteur effectue ensuite une revue rapide des autres problèmes soulevés par le budget, tels que le salaire minimum (qui ne correspond à aucune réalité), le projet de construction d'une usine à papier (lenteur, gouffre financier, pollution), l'instruction et le système d'éducation (en déclin), l'impôt au développement («symbole de la sujétion») les mesures répressives faisant suite à la confusion et au chaos dans les zones rurales, à cause de formes d'organisation politiques inaptes...

CRISE ECONOMIQUE ET FINANCIERE — AUUSTERITE ET FMI : LE CAS DU MAROC

Par

*Habib El MALKI**

La crise actuelle est mondiale. A dominante économique et financière, elle touche différemment les principales composantes de l'économie mondiale. Elle n'a pas la même signification pour le «Nord» et le «Sud» — ici c'est une crise de mutation, là c'est une crise régressive où les facteurs de déstructuration l'emportent sur ceux de la restructuration : le Tiers-Monde, dans son homogénéité-hétérogénéité, est largement utilisé jusqu'ici comme une modalité d'absorption — dépassement de la crise par les pays industrialisés.

Depuis le début de l'année 80 en particulier, l'accent est fortement mis sur la dimension financière de la crise, phénomène amplifié par «la cessation de paiement» des gros débiteurs latino-américains (1) et les menaces qui pèsent sur le «système financier international». En effet, la dette du Tiers-Monde a pris une grande ampleur en passant de US \$ 110 milliards en 1973 à US \$ 700 milliards en 1983. Les implications économiques et financières de ce processus d'endettement sont à l'origine du *nouvel interventionnisme du FMI* aussi bien en Amérique Latine, en Asie qu'en Afrique.

La demande du FMI est simple : partant d'un diagnostic à l'identique dans les régions concernées, il recommande de façon *uniforme* les mêmes recettes qui sont devenues une panacée universelle : abolition ou libéralisation des contrôles de change et d'importation ; dévaluation du taux de change ; mise en œuvre des programmes anti-inflationnistes à travers le contrôle du crédit bancaire, le contrôle du déficit de l'Etat, le contrôle de la hausse des salaires et le démantèlement des contrôles de prix ; la création d'un meilleur climat pour les investissements étrangers.

Cette politique appelée politique d'austérité, de stabilisation ou de redressement — est conçue indépendamment du contexte socio-économique, de la nature des structures et du niveau de développement atteint. Théoriquement, elle est guidée par 3 objectifs fondamentaux et interdépendants :

- promouvoir la croissance économique,
- réduire l'inflation,
- améliorer à moyen terme la position des paiements courants de la Balance des Paiements.

Une appréciation concrète de la politique du FMI au niveau des objectifs, des moyens et des résultats obtenus conduit nécessairement à réaliser des études de cas.

2. *Le Maroc* fait partie de cette catégorie de pays du Tiers-Monde «en mal de paiement». Pays non pétrolier, il tire l'essentiel de ses ressources des envois des travailleurs émigrés, des phosphates et du tourisme. Les

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ressources, dépendant entièrement de l'extérieur, enregistrent des fluctuations assez fortes difficilement maîtrisables par le Maroc. Il en résulte un «*déficit de financement*» à l'échelle de l'économie nationale qui ne cesse de s'aggraver sous l'effet consigné de trois séries de facteurs :

a) *le néo-malthusianisme de la C.E.E.* qui touche principalement les travailleurs émigrés et les exportations du Maroc, rendant par là caduc l'accord de coopération d'Avril 1976.

Rappelons qu'il y a actuellement en Europe plus de 700.000 travailleurs marocains dont près de 500.000 en France. Leurs transferts de revenu atteignent en moyenne annuelle 5 milliards de Dirhames, soit 40 % des recettes d'exportations, c'est-à-dire l'équivalent du service de la dette publique pour 1982. Comme la CEE absorbe 60 % des exportations marocaines, la multiplication des obstacles communautaires destinés à freiner les échanges traditionnels avec le Maroc ainsi que les efforts de l'élargissement de l'Europe au Portugal et à l'Espagne rendent de plus en plus incertaines les perspectives d'évolution de l'économie marocaine.

b) *la sécheresse*, phénomène naturel qui a fortement marqué le visage du monde rural durant les 4 dernières années, le poids de l'agriculture dans l'économie étant toujours important (2). Il en est résulté une aggravation du déficit céréalier et par là de la balance commerciale agricole (3). C'est ainsi que les devises collectées à l'exportation par la vente des agrumes et des primeurs assurent dans des conditions de plus en plus difficiles le financement des importations des produits alimentaires de base (4).

Par ailleurs, en plus de la facture alimentaire, la facture énergétique a fortement pesé dans l'aggravation du déséquilibre de la balance commerciale.

Le taux de dépendance énergétique du Maroc est supérieur à 80 % et depuis 1979, les importations de produits énergétiques dépassent très largement les recettes procurées par les ventes des phosphates à l'étranger (5).

Cette tendance est la résultante de plusieurs facteurs : «le deuxième choc» pétrolier, l'appréciation continue du dollar américain et la diminution du prix des phosphates ainsi que du volume exporté.

c) *la troisième série de facteurs concerne le coût financier engendré par la défense de l'intégrité territoriale du Maroc.* En effet, la «guerre du Sahara», guerre imposée au Maroc depuis bientôt 10 ans, mobilise une partie non négligeable des ressources du pays. Ses effets sur l'équilibre des finances internes ne sont pas à démontrer.

Les facteurs externes (retombées de la crise mondiale, la nouvelle politique protectionniste de la CEE, la tendance soutenue à la hausse du dollar américain et des taux d'intérêt pénalisant principalement les pays du Tiers-Monde non pétroliers et fortement endettés) comme les facteurs en dehors de la volonté du Maroc (défense de l'intégrité territoriale, sécheresse) ne sont pas suffisants pour expliquer la crise actuelle de l'économie et des finances.

Il y a la nature du mode de croissance appliqué au Maroc depuis un quart de siècle, mode qui a favorisé le déploiement des formes de spécialisation internationale retardataire, faisant de l'économie marocaine une économie agro-minière à industrialisation lente (6).

Ce type d'économie, se situant entre la première et la deuxième phase de la division internationale inégale du travail (7), explique les limites intrinsèques d'un modèle d'accumulation qui s'appuie largement sur un surplus d'origine externe, limites aggravées par une politique de répartition des revenus fortement inégalitaire et un modèle de consommation (publique et privée) où l'ostentatoire et le superflu représentent des formes modernes du «potlatch» ancien.

Dans ces conditions, les mécanismes de désaccumulation fonctionnent plus efficacement que ceux de l'accumulation productive : faibles, des résultats de différents codes d'investissement malgré leurs grandes libéralités (8), faiblesse du rendement de l'investissement public, gaspillage multiforme engendré par le mode de gestion de l'Administration qui en définitive exerce une fonction anti-développement, caractère fortement spéculatif de l'investissement privé local... L'ensemble de ces éléments souligne la grande fragilité des bases de croissance de l'économie marocaine dont la capacité d'adaptation et de réforme est restée jusqu'à présent très faible.

La tendance à rechercher des solutions externes — en réalité des expédients — à des problèmes structurels internes est très significative à cet égard. La grande majorité des pays africains n'échappe pas à cette tendance qui fait de la conservation des structures une règle d'or dans la mise en œuvre des politiques économiques et financières.

3. *La gravité de la situation économique et particulièrement financière est à l'origine du recours par le Maroc au FMI à partir de 1980.* Elle peut être illustrée par plusieurs indices qui sont des indices de crise :

a) *le caractère très fluctuant et très irrégulier du taux de croissance économique*, avec une tendance marquée à la baisse. Ainsi, le taux de croissance moyen annuel a évolué comme suit : 6,8 % durant la période 1973–77, 4 % entre 1978–80 et 2,5 % (1981–83).

Cette tendance à la baisse — sur une dizaine d'années — souligne le poids des activités agricoles et des activités tournées vers l'exportation, c'est-à-dire l'absence de maîtrise, de l'aléa climatique et de la demande externe.

b) *la détérioration des équilibres externes* qui peut être mesurée par l'ampleur du déficit de la balance des opérations courantes qui a quintuplé entre 1975 et 1982 : – 2213 millions DH (1975), – 5600 millions DH (1980) et – 11900 millions DH (1982). Ainsi, la part de ce déficit dans le PIB est passée de 6,08 % en 1975 (contre 1,68 % en 1973) à 7,28 % en 1980 et à 12,92 % en 1982. Cette tendance, atténuée par les transferts privés d'origine externe, reste largement alimentée par la progression géométrique du déficit de la balance commerciale dont le taux de couverture

a chuté de 60 % en 1975 à 57,4 % en 1980 et à 55,8 % en 1983. La dégradation continue du solde du compte courant explique le recours massif au financement externe et notamment les «facilités» du FMI pour équilibrer la balance des paiements.

c) *l'amplification du déséquilibre des finances internes.* Le solde du Budget Général a atteint des niveaux records à la fin du 3e plan quinquennal 1973-77 et le début du lancement du 4e plan quinquennal 1981-85.

Ainsi 1980 qui est une année charnière a enregistré un déficit de 10 milliards DH, soit 7 % du PIB. 1982 est une année record avec 14 milliards DH, soit plus de 14 % du PIB.

Le financement de ce déficit est largement assuré par les concours extérieurs, ce mode de financement étant devenu une tradition budgétaire.

La quasi-totalité des dépenses d'investissement dans le cadre du plan quinquennal 1981-85 sont couvertes par le recours à l'étranger : 88,5 % en 1981, 60,8 % en 1982, 57,5 % en 1983 et 72 % en 1984 (à titre prévisionnel).

Le résultat est l'aggravation de la situation financière conduisant le Maroc à s'installer de plus en plus dans le cercle vicieux de l'endettement.

Ainsi, la dette extérieure est passée de 900 millions \$ en 1982 à 12 milliards \$ en 1983, soit un taux d'accroissement moyen annuel de plus de 130 %.

Le recours au marché financier international entre 1975 et 1981 a produit un double effet. D'une part, un effet d'accélération du processus d'endettement : le montant brut des emprunts auprès des banques internationales est supérieur à 14 milliards DH, soit plus de 60 % des apports bruts extérieurs durant cette période. D'autre part, la privatisation de la dette marocaine qui accentue son degré de vulnérabilité. Ce phénomène s'accompagne d'une détérioration des conditions d'endettement avec comme conséquence l'augmentation des charges de la dette (taux d'intérêt du marché élevés, appréciation du dollar américain, raccourcissement des durées moyennes des prêts...).

C'est dans ce contexte que le coefficient d'endettement (9) a plus que doublé en l'espace de 4 ans : 23,2 % en 1980 contre 11,3 % en 1977.

La capacité de remboursement du Maroc est ainsi mise à l'épreuve car depuis 1981, le problème de refinancement de la dette extérieure ne cesse de se poser dans des termes de plus en plus aigus.

4. *Le Programme d'Ajustement Structurel est-il un programme anti-crise ?* Le Maroc, à la veille du lancement du plan quinquennal 1981-85, a entamé des négociations avec le FMI dans la perspective de mettre en œuvre un PAS (Programme d'Ajustement Structurel) pour la période 1er Juillet 1980 - 30 Juin 1983, avec un double objectif : d'une part relancer l'économie et d'autre part restaurer les équilibres financiers internes et externes.

A l'époque, ces négociations n'ont pas abouti à un accord engageant publiquement les deux parties concernées ; ce qui explique les hésitations, les incohérences, l'absence de mesures d'accompagnement, en somme le laxisme qui a fortement caractérisé la politique économique et financière de l'Etat pendant toute cette période, jusqu'à l'été 1983.

Cependant, ce PAS ne cesse d'inspirer, de manière forte, la ligne de conduite des pouvoirs publics. Quelles sont ses grandes lignes ?

a) *sur un plan global*, le programme vise la réalisation d'un taux de croissance moyen de 4,5 % du PIB par an — en termes réels — d'où la nécessité de maintenir le taux annuel moyen d'investissement à environ 21 % du PIB, et de favoriser l'augmentation du taux d'épargne intérieur de 4 points (15 % à la fin du programme contre 11 % initialement). A cette fin, la croissance annuelle de la consommation réelle privée par tête pourrait être limitée à environ 0,5 %, comme il est recommandé de limiter la croissance annuelle de la consommation publique à 1 % environ — en termes réels — durant la période 1981-83.

En même temps, le déficit du compte courant est à contenir dans des limites ne dépassant pas 5 % du PIB pour 1983 — contre 10 % en 1979.

b) *sur un plan sectoriel*, le programme prend en considération quatre domaines d'intervention :

- *l'agriculture* qui est à restructurer pour augmenter son taux de croissance économique et plus spécialement celui des produits destinés à l'exportation.

Le programme met aussi l'accent sur le développement des surfaces bour (non-irriguées). Et la révision en cours du code d'investissement agricole doit se conformer à cet objectif ;

- *la politique industrielle* continuera à mettre l'accent sur la promotion des exportations. Par contre, les activités liées à la substitution aux importations doivent respecter de manière plus rigoureuse les critères financiers (la règle coûts-bénéfices).

Par ailleurs, il est conseillé d'encourager l'établissement de petites et moyennes entreprises ;

- *concernant le secteur public* (qui compte 600 entreprises, 70 % des filiales dépendant des 15 entreprises les plus importantes), le programme souligne la nécessité d'établir une politique plus cohérente, tournée vers une plus grande rentabilité. C'est pourquoi l'accent est mis en particulier sur la révision des tarifs des services publics «en vue de permettre aux entreprises de dégager des ressources internes pour leurs investissements» ;

- *pour l'énergie*, l'accent est mis à la fin sur l'augmentation de l'offre locale et sur la conservation : l'objectif est de réduire le taux de dépendance énergétique de 82 % à 70 % en 1985.

En ce qui concerne la consommation, «des prix plus réalistes» basés sur le coût des produits pétroliers s'imposent pour éliminer les subventions à la consommation d'énergie (10).

c) *la politique budgétaire* durant la période du programme aura pour objectif d'augmenter les dépenses d'équipement — à caractère économique — d'améliorer l'efficacité des dépenses de fonctionnement et de réduire le déficit global du Trésor.

Il était prévu de dégager un montant annuel moyen de 7 milliards DH pour des dépenses d'équipement (soit le 1/3 du total de la formation brute de capital fixe). De même que le taux d'augmentation des dépenses de fonctionnement sera progressivement ralenti pour atteindre 1 % en termes réels par an. Et dans ce sens, il convient de réduire le taux d'accroissement des dépenses d'éducation qui ne doivent pas dépasser la part de 18 % du budget de l'Etat, ainsi que les subventions à la crise de compensation (11); ce qui permettra de réaliser une importante épargne dans le budget de fonctionnement.

La réforme du système fiscal reste à l'ordre du jour pour améliorer son rendement et réduire la fraude fiscale.

Enfin, la conduite de la politique des emprunts extérieurs sera dorénavant menée en consultation étroite avec le FMI, «tenant compte à la fois du montant élevé du capital à rembourser et du besoin d'améliorer le profil de la dette publique».

d) *une plus grande libéralisation des échanges extérieurs* pour accroître la compétitivité de l'économie marocaine dans les marchés internationaux (transfert des produits de la liste «B» à la liste «A», suppression progressive du système actuel des dépôts préalables à l'importation ainsi que la prime de 5 % appliquée aux transferts des travailleurs marocains à l'étranger).

e) *la révision du système de taux de change* en vigueur au Maroc depuis 1973. Ce qui se traduira ultérieurement par la dévaluation de la monnaie nationale.

Telles sont les lignes directrices du PAS recommandées par le FMI. Mais ce n'est qu'en juillet 1983 qu'un véritable tournant a été pris dans l'application de ce programme à la suite de la promulgation d'une loi de finances rectificative concernant la même année.

Dans le but d'atténuer le déficit global du Trésor, il a été décidé de :

- réduire les charges : compression des dépenses du personnel par la suppression de 19.000 postes budgétaires (sur 44.000 initialement prévus durant 1983) ; relèvement des prix de produits subventionnés (les dépenses de la caisse de la compensation sont passées de 2 milliards DH en 1982 à 1,4 milliard en 1983) ; diminution des dépenses d'investissement à travers une plus grande «sélectivité» (13,6 milliards DH en 1983 contre 16,8 milliards DH en 1982) ;

- réviser les recettes à la hausse : augmentation du taux de la taxe sur les produits de 17 à 29 % ; renforcement de la participation à la Solidarité Nationale (impôt sur le Salaire) ; institution d'un droit de sortie à l'étranger (pour les voyages d'agrément) ; augmentation des droits de timbre...

Il convient de signaler d'autres mesures supplémentaires pour renforcer la tendance à l'alémioration des équilibres extérieurs par le biais de la consolidation des recettes en devises : la promotion des exportations,

poursuite de la politique d'encouragement des transferts des TME (Travailleurs Marocains à l'Etranger) et le renforcement des efforts publicitaires pour le Tourisme.

Parmi les mesures importantes prises conformément aux recommandations du FMI figure le réaménagement de la parité du Dirham qui est en fait une dévaluation déguisée. Ainsi la monnaie nationale a perdu presque 20% de sa valeur entre août 1983 et mai 1984.

Tout ce dispositif est destiné à faciliter les négociations du Maroc avec ses créanciers, en vue du rééchelonnement de la dette extérieure. Un protocole d'accord a été conclu avec le Club de Paris en octobre 1984 fixant les conditions générales du rééchelonnement. D'autres négociations sont en cours avec les banques internationales. Ainsi, le réaménagement de la dette extérieure a porté jusqu'ici sur un montant de 1,8 milliard de dollars pour les années 1983 et 1984.

La loi de finances 1984 confirme et prolonge les choix fixés par la loi de finances rectificative de 1983, c'est-à-dire le maintien et le renforcement de la politique d'austérité tant au niveau des dépenses d'équipement que des dépenses de fonctionnement (12). Cependant, sa lecture appelle en particulier deux remarques :

- l'augmentation des crédits accordés à la Caisse de Compensation — contrairement aux recommandations du FMI : 2 milliards DH en 1984 contre 1,6 milliard en 1983 ;

- l'importance du service de la dette extérieure : 9,4 milliards DH, soit presque l'équivalent des dépenses d'investissement (10,2 milliards DH).

Rappelons que le pronostic officiel est de ramener le déficit global du Trésor pour l'année 1984 à 6 % du PIB.

5. *Appréciation critique de la « politique de relance et d'assainissement » inspirée par le FMI.* A la lumière des premiers résultats enregistrés, il est possible de porter un jugement d'ensemble sur la « politique de relance et d'assainissement » fortement inspirée par le FMI, et ceci à deux niveaux :

- *la relance économique se fait toujours attendre* : le taux de croissance est quasi nul (+0,6 %) pour 1983. Cette mauvaise performance s'explique partiellement par la baisse sensible de la valeur ajoutée de l'agriculture (-6 %) et des travaux publics (-10 %), secteurs qui par leur poids exercent des effets d'entraînement très importants sur le reste de l'économie.

Par ailleurs, la réduction des dépenses d'équipement a affecté l'évolution de la Formation Brute de capital fixe qui mesure l'effort d'investissement au niveau national.

Cependant, pour 1984, on projette une amélioration du taux de croissance économique : + 3 % (l'équivalent du taux de croissance démographique).

Par contre, selon l'indice officiel du coût de la vie (qui est à manipuler avec beaucoup de précaution), la hausse des prix a diminué de 4 points (6,2 % en 1983 contre 10,5 % en 1982). Mais d'ores et déjà, des

tensions inflationnistes très fortes ont marqué le début de 1984 : +12,5 % pour janvier-février (par rapport à la même période de l'année précédente). En résumé, la fragilité des résultats obtenus ainsi que l'absence de performance traduisant un renversement de tendance donnent à croire que le programme en cours d'exécution est mal parti.

— *au niveau de l'assainissement et du retour aux grands équilibres : certains résultats ont pu être obtenus.* Le déficit global du Trésor a été ramené à 8 milliards DH en 1983 contre 11 milliards DH en 1982, soit 8,4 % du PIB — le déficit prévisionnel pour 1984 sera de 7,6 milliards DH. Le financement monétaire a joué un rôle plus important dans la couverture de ce déficit : les créances de la Banque du Maroc sur le Trésor sont passées de - 1,3 milliards DH en 1982 à +2,5 milliards en 1983. Ceci pour compenser la faiblesse de la progression des recettes ordinaires (+3 %) et la diminution des concours extérieurs (4,6 milliards DH en 1983 contre 7,6 milliards en 1982).

Le déficit des comptes courants de la balance des paiements a baissé de façon sensible : 7 milliards DH en 1983 (soit 7,3 % du PIB) contre 11,4 milliards DH en 1982 (soit 12,9 % du PIB).

L'amélioration des comptes courants — qui est plus comptable qu'économique — a été rendu possible par l'évolution positive de plusieurs postes : accroissement des exportations (+4,7 %) et diminution des importations (13) (-1,6 %), l'augmentation des transferts des TME et des recettes touristiques.

La tendance vers la restauration des équilibres fondamentaux est facilitée par le recours aux facilités du FMI (14) (mécanisme de financement compensatoire et crédit de confirmation).

En conclusion, il apparaît — à travers cette première évaluation de l'application du programme — que la logique équilibrante, c'est-à-dire financière, l'emporte largement sur la logique du développement.

Plusieurs «réformes de structure» annoncées tardent à voir le jour : réforme du système bancaire, réforme du système fiscal, réforme des entreprises publiques etc...

Les secteurs sociaux qui sont des «secteurs exposés» — (éducation, santé, jeunesse et sport, culture...) ont le privilège de subir de façon prioritaire les conséquences de la politique d'austérité budgétaire.

6. *L'économie et les finances marocaines sont sous surveillance étroite du FMI.* Libéral dans sa doctrine mais dirigiste dans sa pratique, le Fonds est appelé à intervenir sous différentes formes pour mener à terme le PAS. S'étalant sur plusieurs années, son rôle n'est pas uniquement d'ordre conjoncturel. C'est pourquoi, il s'avère nécessaire de s'interroger sur la nature et les finalités du programme en cours d'exécution.

De manière générale, les politiques marquées par le cachet du FMI sont-elles véritablement des politiques anti-crise ?

a) *les programmes d'ajustement du FMI sont connus d'après de vieux schémas Keynésiens* qui voient dans l'inflation et le déficit extérieur la conséquence d'un excès de la demande aussi bien privée que publique. Aussi cherche-t-il à agir sur la demande — selon la thérapeutique keynésienne traditionnelle — dans le sens de la compression.

Cependant, les préoccupations financières l'emportent largement sur les préoccupations économiques et sociales : la vision technicienne privilégie le retour aux équilibres macro-économiques à travers l'octroi des ressources nécessaires pour financer le déficit de la balance des paiements.

En même temps, le FMI se place dans un cadre libre-échangiste qu'il défend de façon ferme parce qu'il est le seul — selon le FMI — à concilier les intérêts des pays industrialisés et ceux du Tiers-Monde.

Sur cette base, il dénonce toute entrave au libre développement de l'échange international.

Enfin le FMI, conformément à sa doctrine économique, préconise un ensemble de mesures qui vont dans le sens d'une plus grande libéralisation et privatisation de l'économie (réorientation et révision en baisse des investissements publics, démantèlement du système des prix subventionnés...).

b) *l'inspiration théorique et doctrinale du FMI éclaire les limites intrinsèques des programmes de stabilisation qui ont la prétention d'avoir les mêmes vertus «en tout temps et en tout lieu».*

Comment peut-on appliquer les mêmes recettes — à supposer qu'elles soient adaptées et efficaces — à des pays aussi différents que le Brésil, le Maroc, le Zaïre, le Mexique, le Sénégal...?

Les expériences de stabilisation récente en Amérique Latine ou en Afrique ont mis sur la sellette le FMI qui est devenu le symbole d'une rationalité économique et financière contraire aux intérêts bien compris des régions concernées. Comment peut-on clamer *urbi et orbi* la nécessité d'une dévaluation (15) quand les chances de succès d'une telle opération sont faibles sinon nulles (montée du protectionnisme dans pays industrialisés, la monnaie de facturation du commerce international est une devise étrangère, faiblesse de l'élasticité — prix de l'offre d'exportation, dette des pays débiteurs libellés en dollars qui ne cessent de s'apprécier...) ? Comment peut-on réduire tous les problèmes que soulève le bon fonctionnement d'une économie à «plus ou moins d'Etat» ? Certes, plusieurs Etats du Tiers-Monde vivent au-dessus de leurs moyens.

Une bureaucratisation excessive de l'économie provoque aussi de nombreux obstacles qui deviennent de véritables freins au développement. Mais la solution n'est ni dans le désengagement économique et financier de l'Etat, ni dans les révisions à la baisse des dépenses publiques — qui souvent touchent les secteurs sociaux, aggravant par là la détérioration des conditions de vie de la grande majorité des masses urbaines et rurales. Elle se trouve dans la mise sur pied d'une nouvelle stratégie de développement qui privilégie l'Homme et non les agrégats et les équilibres.

C'est là le principal enseignement de la crise actuelle. La nouvelle situation ainsi créée rappelle l'incapacité des modèles de développement en vigueur à faire face à cette crise — y compris avec l'assistance du FMI.

NOTES

1. Rappelons que c'est le Mexique, pays pétrolier, qui a joué le rôle de détonateur de la crise financière actuelle (l'été 1982).
2. L'Agriculture représente en moyenne 20 % de la production intérieure brute, car 90% de la superficie totale cultivable est non irriguée.
3. Le Maroc importe annuellement 20 à 25 millions de quintaux, soit 40 à 50 % de ses besoins.
4. Dans les années 70, le taux de couverture des importations de céréales par les exportations des agrumes et primeurs a enregistré une forte chute : 1,3 à la fin de la décennie contre 17,5 au début.
5. Le coût des importations des hydrocarbures et les recettes d'exportation des phosphates successivement pour 1979, 1980, 1981 et 1982 (en millions de dirhames) 2440-2214 ; 3578-3012 ; 5624-3827 ; 6592-3450.
En 1978, la corrélation était différente : 1254-2034 (en millions de dirhames).
6. La structure des exportations et des importations est très significative : les 2/3 des exportations sont composés de produits miniers, d'agrumes-primeurs et de conserves ; le dernier 1/3 comprend l'acide phosphorique, les engrais et les produits textiles.
Au niveau des importations : les produits alimentaires et les produits énergétiques absorbent 50 %, l'autre moitié concerne les «semi-produits» et les «produits finis».
7. Ces deux phases correspondent à la première et deuxième Révolution Industrielle qui ont toutes deux déterminé le façonnement des rapports et des échanges entre les pays industrialisés et le Tiers-Monde.
8. Parmi les mesures d'encouragement au capital privé : exonérations fiscales (IBP, patentes, droits de douane...), ristournes d'intérêt sur les prêts accordés par les institutions financières agréées, primes d'équipement et rapatriement des profits...
9. C'est le rapport charges de la dette extérieure/recettes d'exportation (y compris les transferts des TME).
10. Déjà, à la fin de juin 1980, les prix des produits pétroliers ont été augmentés de 30 à 50 %.
11. De manière générale, le FMI considère qu'un effort important sera porté sur la réduction du taux de croissance des dépenses à caractère social.
Les salaires seront ajustés annuellement en fonction des développements de la productivité, du PIB, des prix et des perspectives de la situation budgétaire et de la balance des paiements.
12. Réduction de la création d'emploi de 25.000 postes en 1983 à 10.000 postes en 1984: non remplacement de certaines personnes partant en retraite, réduction des subventions à la Caisse de retraite, réduction des attributions des bourses scolaires et universitaires, comme 6.300 emplois vacants seront bloqués jusqu'au 30 novembre 1984.
13. On note une amélioration du taux de couverture : 48% en 1982 et 56 % en 1983.
14. Evolution du recours à la facilité élargie du FMI depuis 1980 : 781 millions DH (1980) ; 821,4 millions (1981) ; 2884,7 millions (1982).
15. C'est l'une des principales recommandations du Rapport BERG pour l'Afrique Sub-Saharienne.

SUMMARY

The financial crisis is a major phenomenon of the eighties. Morocco among other African countries is affected by it. In this article, the following issues are studied:

1. The causes of the situation, especially in Morocco. Two kinds of factors are to be taken into account:

- external factors: International monetary and financial chaos, the neo-protectionist attitude of advanced capitalist countries particularly of the E.E.C. (European Economic Community);*
- internal factors, related to the prevailing economic strategy and to the management of the financial and economic policy.*

The combined effect of such factors can be measured by the external unbalances, and a greater deficit in public finances.

2. The financial crisis paved the way for the interventionist policy of the IMF which, in spite of specific and different national conditions, gives the same answer through its «adjustment programme».

The IMF with its highly keynesian diagnosis and therapy advocates a «regulation policy» of drastic cuts in private and public consumption. To this effect, the Fund insists on a liberalization of the economy and of the exchanges. In other words, a restoration of the macro-economic balances by and through the market.

PROGRAMMES «D'AJUSTEMENT STRUCTUREL» DU FMI

Par

*Najib AKESBI**

I. — DES PROGRAMMES D'AJUSTEMENT OU DE «SURDESTRUCTION» DES ECONOMIES DU TIERS MONDE: *Le Cas du Maroc*

Le Maroc est, officiellement depuis 1983 mais officieusement depuis la fin des années 70, un pays «sous tutelle» du groupe du FMI et de la BIRD. En usant du terme «tutelle», il ne s'agit pas de glisser sur le terrain d'une polémique facile mais stérile, ni de sacrifier à une certaine «mode journalistique», mais de prendre acte d'un état de fait, d'une réalité quotidienne dont il faut de prime abord mesurer la portée. Incapables de faire face au service d'une dette extérieure évaluée actuellement à 13 milliards de dollars soit l'équivalent du PIB (1), les responsables marocains en sont arrivés à solliciter son rééchelonnement et de ce fait se sont engagés dans un processus dont ils ne maîtrisent ni les tenants ni les aboutissants, où ils sont acculés à investir les «clubs» de leurs créanciers de prérogatives que l'on s'accorde généralement à considérer comme relevant de la souveraineté des Etats indépendants. Alors que le plan de développement national est, de fait, abandonné, le pays est soumis à un «programme d'ajustement structurel» appelé à bouleverser l'ordre économique et social existant et partant, à marquer de manière décisive son avenir pour les prochaines décennies. Les grands choix de stratégie de développement comme les simples modalités d'application des mesures de politiques économiques les plus diverses sont désormais dictés de l'extérieur à des Responsables dont la marge de manœuvre, déjà faible, va en se rétrécissant encore au fur et à mesure que le pays s'enfonce dans un engrenage apparemment sans fin.

Mais le Maroc n'est qu'un cas parmi d'autres et l'on a bien recensé une cinquantaine de pays du Tiers-Monde se trouvant actuellement dans une situation plus ou moins comparable. Aussi, le premier fait majeur à souligner est là: avec la fin de l'ère coloniale, on croyait que les anciennes méthodes de l'«administration directe» étaient à jamais révolues. Avec ce que l'on a appelé le «néo-colonialisme», les «méthodes», s'étaient quelque peu affinées même si les objectifs demeuraient fondamentalement les mêmes. Si l'on veille soigneusement sur les options de base et les stratégies d'ensemble, pour le reste, on laisse faire, ou plutôt on préfère faire faire... Or, le moins qu'on puisse dire est que le FMI s'embarrasse de moins en moins de telles «formalités». Il y a quelques années encore, combien auraient eu du mal à en croire leurs oreilles en apprenant que c'est par dizaines que l'on compte les pays du Tiers-Monde où ce sont les experts étrangers, bénéficiant d'une totale immunité vis-à-vis des lois et coutumes du pays d'accueil, n'ayant de comptes à rendre qu'à leurs propres organisations internationales qui, dans les bureaux mêmes mis à leur disposition dans les ministères,

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élaborent les politiques économiques, préparent les lois de finances, «tranchent» lors des arbitrages budgétaires, ordonnent les blocages de salaires, la «vérité des prix» et autres dévaluations de la monnaie nationale ? C'est pourtant ce que chacun peut aujourd'hui aisément constater dans la plupart des pays constituant ce que le bimensuel économique *l'Expansion* appelle de manière fort significative «l'Empire du FMI» (2). Ce qui est remarquable cependant, c'est que, si la domination a retrouvé des modalités que l'on croyait révolues, sa contestation aussi est en train de retrouver une forme et une teneur qui rappellent, à certains égards, celles qui avaient fini par précipiter l'effondrement des empires coloniaux. Oui, il faut le dire : malgré un prodigieux développement au niveau analytique et conceptuel, la contestation de la domination étrangère est, durant le dernier quart de siècle, demeurée cantonnée au niveau de l'élite intellectuelle et, au mieux, d'une minorité plus ou moins «conscientisée», c'est-à-dire «politisée». Les soulèvements populaires contre telle intervention américaine çà et là, contre les excès de General Foods, ITT et autres Nestlé sont, qu'on le veuille ou non, demeurés l'exception. Par contre, ce qui est remarquable aujourd'hui, c'est que la contestation des politiques du FMI, en dépit de l'abstraction du sigle, est en train de devenir un phénomène majeur qui «se popularise» rapidement, gagne les couches populaires les plus larges, les plus déshéritées et jusque-là les plus difficiles à mobiliser contre des adversaires étrangers dont les responsabilités n'étaient pas toujours faciles à élucider (3). Un peu partout dans le Tiers-Monde, de Sao-Paulo à Manille, en passant par Casablanca et le Caire, ces masses se soulèvent du fond de leurs bidonvilles et, plus ou moins confusément il est vrai, crient leur refus des mesures imposées par le FMI, semblent quelquefois préférer mourir instantanément d'une balle que lentement de faim, un peu comme jadis, lorsqu'on préférait «mourir libre» plutôt que vivre servile...

De quoi est donc responsable ce FMI tant décrié, en passe de devenir un véritable ennemi public numéro 1 des déshérités du Tiers-Monde ? Comment une organisation internationale dont pourtant l'article premier des statuts prône «la promotion et le maintien de hauts niveaux d'emploi et de revenu réel» dans tous les pays membres, en arrive-t-elle à s'ériger en promoteur d'une politique, pour reprendre l'expression de C.F. DIAZ-ALEJANDRO (4), de «surdestruction» (overkill) des économies qui en sont victimes ? Question à priori d'autant plus paradoxale qu'il faut tout de même encore rappeler que les statuts du FMI précisent que la correction des déséquilibres des balances des paiements doit être entreprise «sans recourir à des mesures compromettant la prospérité nationale ou internationale» et, surtout, comme le souligne P. JACQUEMOT, aucun texte n'autorise clairement le FMI à intervenir au niveau des politiques économiques intérieurs des Etats membres (5).

Nous essayerons d'abord de comprendre la logique d'ensemble qui fonde les programmes du FMI tout en identifiant le contenu et les déterminants (1^{ère} partie) avant de procéder à leur discussion critique (2^è partie). Nous tâcherons ensuite d'illustrer nos propos à travers le cas du Maroc (3^è partie) puis en guise de conclusion, nous tenterons, à travers l'esquisse de l'alternative nécessaire, de montrer en quoi «la voie de salut» pour les pays du Tiers-Monde est aux antipodes de celle où le FMI s'acharne à les maintenir.

1. UNE LOGIQUE LIBERALE ORTHODOXE DES PROGRAMMES STANDARD AU SERVICE D'UNE STRATEGIE DE REAJUSTEMENT/REDEPLOIEMENT DES ECONOMIES DU TIERS-MONDE

Un pays passible d'une thérapeutique-FMI est, au départ, un pays dont la balance des paiements est déficitaire. Ce déficit peut être dû à des facteurs internes ou externes, et le plus souvent à leur conjugaison. Là réside cependant la brèche par laquelle les experts du FMI «s'infiltrent» puis envahissent le cadre interne des économies nationales après avoir ordonné à leur manière la chaîne des causalités; pour eux ce sont d'abord les facteurs internes qui sont responsables des déficits. Ce postulat étant posé, l'analyse peut se déployer selon la logique libérale-monétaire la plus orthodoxe. A l'origine des «distorsions», il y a avant tout l'Etat, accusé de tous les maux dont souffre l'économie. C'est lui qui, en croissant excessivement, alourdit ses dépenses publiques et aggrave ses déficits budgétaires, qu'il finance en créant de la monnaie, ce qui aiguise les tensions inflationnistes, lesquelles aboutissent à réduire la compétitivité des exportations sur les marchés internationaux et hypothèquent l'équilibre des comptes extérieurs. Par ailleurs, le maintien de taux de change «surévalués» ajouterait à l'affaiblissement de la compétitivité des produits nationaux et partant, entraverait l'insertion de l'économie dans un marché international érigé en cadre systématique de «référence» et gratifié de toutes les vertus. L'accroissement des dépenses publiques et, au delà, de l'Etat, est pour le FMI, néfaste à tous égards. C'est l'Etat qui serait responsable d'un climat défavorable à l'épanouissement de la libre entreprise, d'une fiscalité qui «étouffe les initiatives», de réglementations et contrôles qui découragent le dynamisme des entrepreneurs; c'est l'Etat qui fausse les mécanismes du marché et aggrave les distorsions dans l'économie en subventionnant certains produits de consommation, maintient en survie des entreprises publiques non rentables, engage une pléthore de fonctionnaires dotés de plus de systèmes d'assurances sociales jugées «irréalistes (6).

Face à une telle approche des problèmes, les remèdes s'inscrivent également en toute logique dans le cadre des doctrines néo-classiques de «sortie de la crise». De manière générale, l'objectif suprême est avant tout d'ordre financier : le rétablissement des équilibres financiers prime sur tout le reste, y compris les équilibres économiques, et plus encore, sociaux, les plus fondamentaux. Les programmes du FMI peuvent être schématisés à

travers deux volets principaux : une politique de déflation tendant à comprimer la demande interne pour la ramener au niveau de l'offre, réduire le taux de l'inflation, les déficits du budget et du commerce extérieur d'une part, et d'autre part, une politique de réorganisation des structures productives de l'économie nationale pour accentuer leur extraversion, les mettre pleinement au service du marché international, les intégrer plus encore que par le passé à la Division Internationale du Travail plus ou moins renouvée en fonction des nouvelles exigences du capital à l'échelle mondiale. *En somme, il s'agit d'une stratégie... de réajustement/redéploiement en deux temps deux mouvements : Contraction/Extension; Contraction à l'intérieur, Extension vers l'extérieur...* Au niveau instrumental, le corollaire est ce que l'on pourrait appeler «une stratégie de reprivatisation des économies du Tiers-Monde» et comporte également deux faces : d'une part un désengagement de l'Etat et une compression de ses activités dans les domaines économiques et sociaux, et d'autre part, un redéploiement du secteur privé et une «réhabilitation» de la prédominance du marché auquel doit revenir le rôle de régulation de l'ensemble des mécanismes de l'économie. Au total, la «contraction» est à la fois interne et étatique, l'«extension» conjointement extérieure et privée...

Concrètement, les remèdes prescrits peuvent quelque peu varier d'un pays à l'autre, mais les différences ne portent le plus souvent que sur le détail, car dans le fond comme dans la forme, tous les programmes du FMI comportent un ensemble de recettes standard, stéréotypées, codifiées, empaquetées, bref, une sorte d'ordinateur livré clé-en-main qui aurait cette particularité de n'être apte à recevoir qu'un seul logiciel, celui élaboré à Washington, uniformément à l'intention de tous les pays sous-tutelles... La panoplie des mesures habituelles est connue : coupes sombres dans les dépenses budgétaires (chute des investissements publics, blocage des traitements des fonctionnaires et des créations d'emplois, restrictions sévères au niveau des dépenses à caractère social, suppression de tout ou partie des subventions aux produits de consommation de base...) ; accroissement des ressources, notamment par l'alourdissement des tarifs publics ; cession au secteur privé d'activités précédemment confiées au secteur public ; mise en œuvre d'une politique monétaire restrictive avec encadrement du crédit et relèvement des taux d'intérêt ; gel des salaires dans le secteur privé ; dévaluation de la monnaie nationale ; suppression du contrôle des changes, tendance à la libéralisation du commerce extérieur et au démantèlement des barrières douanières, promotion tous azimuts des exportations...

Avant de procéder à la critique de tels programmes, trois remarques s'imposent :

a) Du fait même du caractère largement uniforme des programmes du FMI, leur critique, même lorsqu'elle se veut spécifique, propre à un «cas», a forcément une portée plus générale, globale. Les remèdes prescrits à l'intention du Maroc étant pour l'essentiel quasiment identiques à ceux préconisés pour bien d'autres pays, leur critique n'est pas cantonnée dans le seul cadre du «cas marocain» mais revêt forcément un caractère plus général, plus fondamental, mettant en cause l'essence même des programmes en question. Si bien qu'il est plus opportun en l'occurrence de situer d'entrée de jeu la discussion au niveau global, quitte à puiser les illustrations nécessaires dans le cas marocain.

b) Le rééchelonnement de la dette et les crédits accordés en même temps que l'acceptation par le pays en cause du programme de réajustement ont lieu au bout d'une négociation souvent difficile, à la suite de quoi, expliquent les experts du FMI, sont arrêtés «des objectifs à atteindre et des engagements politiques à réaliser au cours de la période couverte par le programme» (7). L'Etat doit rendre compte trimestriellement à ses tuteurs de son «état de santé» et des progrès accomplis dans l'exécution du programme. En cas de défaillance dans le respect des engagements, les crédits sont aussitôt suspendus et tout est remis en cause. Cette pratique fut qualifiée par J. T. DONNELLY de «short leash», expression qui, traduite, signifie à peu près «tenir court en laisse». Outre qu'elle est courte, la «laisse» peut à tout moment être coupée et c'est à nouveau le drame...

c) Est-ce précisément parce qu'elle est trop «courte» que la «laisse» est de plus en plus amenée à être coupée ? En tout cas, à en juger par le nombre de pays «récidivistes» qui, avant même la fin de la période couvrant un programme déterminé, en sont déjà à solliciter un nouveau rééchelonnement de la dette et la négociation d'un nouveau programme, force est de conclure que l'échec des thérapeutiques du FMI est, à cet égard, patent. Les propres statistiques du FMI montrent que, à une ou deux exceptions près, tous les pays en renégociation de leur dette et d'un nouveau programme en 1983 sont des «récidivistes» ayant déjà conclu un ou plusieurs accords semblables lors des dernières années (8). Le plus curieux est que parmi ces «abonnés permanents», on compte de nombreux pays qui se gardent bien de toute contestation et exécutent scrupuleusement les prescriptions du Fonds. Comme le souligne avec étonnement E. ISRAELEWICZ, en la matière «les bons élèves sont souvent aussi des redoublants» (9).

Essayons donc d'appréhender les causes de cet échec en procédant à la critique des principaux piliers des programmes d'ajustement du FMI. Nous verrons que ceux-ci et par quelque bout qu'on les prenne, sont, à tout le moins, pour reprendre l'expression de C. GERALDO – Gouverneur de la Banque du Brésil – «socialement pervers et économiquement inefficaces». Nous verrons successivement les questions relatives aux équilibres budgétaire et extérieur, à la dévaluation des monnaies locales, à «la vérité des prix» et à la privatisation.

2. DES PROGRAMMES INEFFICACES, INCONSEQUENTS, DANGEREUX

2.1. DEFICITS BUDGETAIRES: ERREUR DE DIAGNOSTIC ET SURDESTRUCTION DES ECONOMIES

Les programmes de stabilisation du FMI partent du postulat que l'inflation est pour l'essentiel le produit de politiques monétaires et financières expansionnistes, lesquelles engendrent une demande excessive eu égard aux capacités de l'offre dans le cadre d'un équilibre à court

terme. D'abord, même si l'on devait accepter une telle vision des choses, tout le problème est de déterminer le niveau de plein emploi par rapport auquel il serait possible de juger du caractère excessif ou non de la demande globale. Or, un déficit budgétaire en tant que tel ne renseigne en rien sur cette question. Cela ne peut être le cas que si l'on considère le déficit budgétaire concurremment avec d'autres demandes sur l'épargne privée. Comme le souligne J. MAZIER dans un article récent, «le déficit de l'Etat n'est pas, en soi, condamnable. Des comptes nationaux pourraient dire, en simplifiant, qu'il s'agit d'un «problème de tuyauterie» entre le besoin de financement des administrations et celui des entreprises. Le financement par création monétaire du déficit budgétaire n'est pas, à priori, plus inflationniste que le financement d'investissements des entreprises par le crédit bancaire» (10). Ensuite, si les préceptes sur lesquels repose l'approche du FMI étaient pertinents, comment alors expliquer la coexistence de l'inflation et d'une large sous-utilisation des capacités de production — et donc du chômage ? Au Maroc, alors que le PIB évolue à un rythme moyen inférieur à 3% par an depuis 1978, celui de l'inflation se maintient à un niveau proche de 10%, et même a tendance à s'accélérer — comme nous le verrons plus loin — alors même que le marasme économique s'accroît. Dans une telle situation en fait, il faudrait d'abord distinguer entre la part du déficit budgétaire qui est une réponse automatique à l'existence d'un faible niveau d'activité économique — dont la conséquence financière est la baisse des recettes, fiscales notamment — et le reste du déficit qui se serait ajouté à la demande, même en situation de plein emploi. Il y a donc une relation étroite entre l'ampleur du déficit budgétaire et le niveau de l'activité économique elle-même. Négliger un tel phénomène, comme le fait S. DELL, constitue en soi une erreur typique de diagnostic qui condamne les programmes du FMI à passer à côté des vrais problèmes tout en déclenchant la «surdestruction» des économies (11). Les Responsables au Maroc reconnaissent eux-mêmes aujourd'hui que la stagnation, voire la baisse des recettes fiscales (alors que les taux des impôts à la consommation augmentent fortement...) et partant, une partie du déficit budgétaire, est principalement attribuée au marasme économique et à l'accentuation d'une situation de sous-emploi manifeste des capacités productives du pays.

On passe d'autant plus à côté des vrais problèmes, que l'inflation n'est pas tant une inflation par la demande que par les coûts. En procédant à une déflation pour remédier à la situation, non seulement on n'atteint nullement le mal à la racine, mais surtout, le remède s'avère pire que le mal lui-même : la chute des investissements publics, compte tenu de leur importance dans l'économie (les trois-cinquièmes environ de la FDCF

durant les six dernières années au Maroc...) engendre une chaîne d'effets cumulatifs et dépressifs sur l'appareil productif et l'ensemble de l'économie. On imagine notamment l'impact de l'arrêt des créations d'emplois sur la situation du chômage (et partant la sous-utilisation des capacités de production) dans des pays où les carences du secteur privé ont acculé l'Etat à être de loin le principal employeur. Ainsi à nouveau, la contraction de l'activité économique provoque celle des ressources fiscales en particulier, ce qui accroît les risques d'aggravation du déficit budgétaire alors même que la récession économique persiste.

2.2. DEFICITS EXTERIEURS: DES REMEDES ILLUSOIRES.

La contradiction apparaît encore plus flagrante quand on envisage la question dans le contexte international. En effet, là où il intervient, le FMI recommande à tout le monde de faire la même chose en même temps : importer de moins en moins, exporter de plus en plus ... Hormis le caractère mercantiliste d'une telle politique, il faut s'interroger sur ses possibilités de réalisation. Or, comme le rappelle J. DENIZET, ce n'est là qu'un remède illusoire, à cause de ce que Samuelson appelle le «sophisme de composition» : dans un pays, ça peut marcher, pour tous les pays, ça ne marche pas ! (12). Les échanges internationaux étant un système de jeu à somme nulle, ce que les uns gagnent, les autres doivent forcément le perdre ... Imaginons que tous les pays du Tiers-Monde, bon gré mal gré, finissent par se conformer à de telles prescriptions: Les réductions massives de leurs importations auraient certes les conséquences les plus néfastes sur le fonctionnement de leur propre appareil productif (à commencer par la rupture des stocks de matières premières, pièces de rechanges etc... comme le Maroc en a fait l'expérience après Février 1983), et partant: sur leur capacité même d'exportation, mais l'impact ne serait pas moins néfaste pour les pays développés eux-mêmes qui verraient ainsi se fermer des marchés qui représentent près du tiers de leurs exportations totales. Est-il réaliste de croire que les pays du Tiers-monde puissent en même temps accroître leurs exportations pour l'essentiel en direction des pays développés — et réduire largement leurs importations en provenance des mêmes pays ? Encore que tout cela n'est qu'hypothèses d'école, ne tenant nullement compte de la réalité du protectionnisme croissant qui brouille toutes les cartes. Or, c'est le même FMI qui, tout en critiquant théoriquement le protectionnisme, insiste dans les faits pour que les pays développés rétablissent leurs équilibres, quasiment grâce aux mêmes recettes préconisées aux pays du Tiers-Monde, ce qui objectivement implique des politiques pour le moins restrictives à l'égard des importations. Historiquement, le protectionnisme a toujours constitué une arme brandie par les pays dont les économies étaient suffisamment renforcées pour se permettre de passer à l'offensive et conquérir les marchés étrangers. Est-ce un hasard si le protectionnisme revient aujourd'hui en force au moment où les pays développés vivent une crise de mutation,

mais aussi au moment où précisément ils sont en train de procéder aux restructurations nécessaires de leurs économies de manière à leur permettre de prendre le train de la troisième révolution industrielle en cours ? C'est dire que les pays auront mis de « l'ordre » chez eux, c'est-à-dire mis en place les fondements d'une nouvelle redistribution des cartes, une nouvelle division internationale du travail apte à leur permettre de perpétuer leur domination sur l'économie mondiale. Le plus extraordinaire dans la situation actuelle, c'est que le FMI, au moment même où il impose aux pays du Tiers-Monde — aux économies forcément fragiles — de démanteler leurs barrières douanières (ce qui au demeurant ne va pas tout à fait dans le sens de l'impératif de rétablissement des équilibres extérieurs...) et de laisser leurs industries périr dans l'œuf sous les assauts d'une concurrence étrangère incomparablement plus puissante, demeure somme toute étrangement discret sur le protectionnisme des pays développés, ou en tout cas se garde de leur imposer quoi que ce soit en la matière.

Si ces problèmes sont assez généraux et communs à l'ensemble des pays du Tiers-Monde, ils revêtent au Maroc un caractère encore plus crucial du fait de la concentration de son commerce extérieur sur quelques pays de la CEE (laquelle absorbe plus de la moitié de ses exportations et assure les deux cinquièmes environ de ses importations). La perspective d'élargissement de la CEE à l'Espagne et au Portugal, pays directement concurrents du Maroc pour l'essentiel de ses produits écoulés sur les marchés de la CEE, risque fort de provoquer un véritable effondrement des exportations marocaines et de compromettre pour longtemps toute possibilité de redressement de ses comptes extérieurs. Si l'on ajoute à cela la tendance au renvoi des travailleurs marocains à l'étranger — eux aussi concentrés pour l'essentiel dans quelques pays de la CEE dont les transferts ont représenté en 1984 près de la moitié des exportations totales du pays, on mesure l'ampleur de l'impasse dans laquelle s'enfonce le pays et la dérision du pari sur l'extérieur pour enclencher un processus de redressement véritable.

2.3 DEVALUATION DE LA MONNAIE: UNE MESURE INEFFECTIVE ET DANGEREUSE

La dévaluation n'est pas seulement d'une efficacité douteuse, mais surtout d'un impact dangereux. D'abord, parce que l'impact positif attendu sur la balance commerciale est loin d'être acquis. Du côté des exportations, on sait que les produits commercialisés par la plupart des pays du Tiers-Monde non pétroliers (produits agricoles, miniers) sont soumis à la loi du marché international, marché largement dominé par l'action conjuguée des pays développés et des firmes multinationales. Quelle est l'efficacité d'une dévaluation si, en raison de l'abondance de l'offre — ou de l'insuffisance de la demande — les prix internationaux sont déjà à la baisse ? Le pays en question ne ferait alors que cumuler les pertes de recettes dues à la dévaluation et celles entraînées par la chute des ventes. Or,

que de fois a-t-on vu des firmes multinationales créer des situations d'abondance artificielle de l'offre ou même carrément casser les prix uniquement pour contrecarrer la stratégie d'un pays du Tiers-Monde qui cherche à améliorer sa position sur le marché, menaçant leur suprématie ? Le Maroc en a fait la triste expérience durant les années 70 lorsque le cours des phosphates, après avoir grimpé en 1974 de 14 à 70 dollars la tonne, s'était quelques mois plus tard effondré à moins de 30 dollars à la suite du dumping organisé par quelques firmes américaines... Au demeurant, bien que le Dirham se soit depuis 1980 plus ou moins largement déprécié vis-à-vis des principales devises étrangères (à commencer par le dollar) les exportations ont plutôt baissé de plus de 10% en volume (1980-1983) et n'ont augmenté en valeur qu'à un rythme annuel légèrement supérieur à celui de l'inflation (18% environ).

Du côté des importations en revanche, l'effet premier de la dévaluation est évidemment de renchérir le coût de celles-ci, mais sans pour autant induire une diminution de leur volume, en raison du caractère largement incompressible d'une grande part des produits achetés à l'extérieur (denrées alimentaires de base, pétrole, engrais et semences, pièces détachées ...). Ce qui est grave pour la stratégie même de promotion des exportations, c'est que ce sont ces dernières qui risquent fort d'être handicapées par l'alourdissement du coût de leurs matières premières ou semi-produits importés. C'est également l'expérience que sont en train de faire les exportateurs marocains qui disent déjà que l'avantage obtenu à l'exportation par les dévaluations du dirham a été largement annulé par le renchérissement des coûts à l'importation des produits entrant dans leur production. Le risque est donc d'aboutir à un résultat exactement contraire à celui recherché : ce sont les importations qui croissent plus vite que les exportations, d'où une aggravation du déficit commercial au lieu de son extinction.

L'impact de la dévaluation sur les déséquilibres internes n'est pas moins dangereux. Le renchérissement des prix à l'importation tend d'abord à donner un coup de fouet à l'inflation intérieure. Or, la relance de celle-ci, selon les théories de référence même du FMI, rend nécessaire une nouvelle dévaluation, laquelle redonnera vigueur à l'inflation et ainsi de suite... Le Maroc s'est-il déjà engagé dans cet engrenage ? L'expérience des dernières années porte à le croire et de toute façon, l'on a hélas trop vu ce scénario ailleurs pour qu'il soit permis de l'écarter. Par ailleurs, la dévaluation contribue à accentuer les déficits des finances publiques, et cela de plusieurs manières. D'abord, surtout pour un pays endetté — ce qui est le cas des pays sous «tutelle» — la dévaluation se traduit automatiquement par une réévaluation du stock de la dette extérieure et partant de son service annuel prélevé sur les ressources publiques disponibles. Ensuite, le renchérissement à l'importation des denrées alimentaires de base subventionnées par l'Etat accule celui-ci à accroître ses dotations budgétaires pour le soutien des prix à la consommation, même si celles-ci

demeurent insuffisantes pour empêcher des relèvements de prix et des risques de troubles sociaux.. De plus, dans la mesure où les importations sont réduites, cela veut dire autant de recettes en moins pour le Trésor, dans des pays où les droits de douane attachés aux importations représentent entre 30 à 40 % — voire plus — des recettes fiscales totales. Le dernier aspect de l'impact de la dévaluation n'est pas le moins important. Car, à revenus nominaux constants, la dévaluation aboutit à détériorer le pouvoir d'achat de la population, et singulièrement des salariés dont le revenu ne peut suivre le rythme de la hausse des prix, à concurrence des produits d'origine étrangère qui lui sont nécessaires, ce qui contribue à réduire la consommation et partant à contracter la demande interne. Les experts du FMI reconnaissent cet impact régressif de la dévaluation mais concluent que de toute façon, «il n'est pas possible de faire autrement que de diminuer les salaires en valeur réelle si l'on veut rétablir un équilibre interne» (13). En fait, comme le souligne N. KALDOR, il s'opère ainsi une distribution des revenus, faisant supporter les charges de l'«ajustement» par les classes défavorisées de la population. (14)

2.4 «VERITE DES PRIX» OU VERITE DES PUISSANTS ?

Plus encore que la dévaluation — dont l'effet à cet égard peut apparaître plus diffus — la mesure dont l'impact social est toujours ressenti comme un drame national, quand elle ne déclenche pas émeutes et révoltes, c'est la réduction, voire la suppression des subventions nécessaires à la stabilisation des prix des produits de première nécessité, au nom de la sacro-sainte théorie de la «vérité des prix». Nous avons déjà pu, à propos du Maroc, examiner de manière détaillée le problème de «la caisse de compensation» (l'organe chargé d'opérer des prélèvements et d'accorder des subventions) et mettre en évidence certains faits qui rectifient sensiblement certaines idées reçues sur cette question (15). On peut se contenter ici de quelques remarques fondamentales, et d'abord une question : de quelle «vérité des prix» s'agit-il ? Quelquefois, les questions les plus crédules sont les plus opportunes ... Alors, qu'est-ce que, pour les experts du FMI, un «prix vrai» ? Curieusement, la littérature du Fonds, ou du moins celle mise à la disposition du public, est généralement discrète ou vague sur cette question. Naturellement, en la matière, la règle ne peut être celle du prix d'équilibre sur le marché, dégagé à partir de la confrontation de l'offre et de la demande comme l'enseigne la théorie classique. Les manuels d'économie publique mettent depuis longtemps en valeur les spécificités des «biens et services collectifs» et aucun économiste sérieux, de quelque bord qu'il soit, ne peut remettre en cause cet acquis de la science économique. Reste à déterminer l'étendue du champ de ces biens et services collectifs, question si controversée qu'il est difficile de l'aborder en quelques mots. Ce dont il faut convenir ici, c'est que, qu'il s'agisse de l'eau, de l'électricité, du transport en commun, ou du pain, de l'huile, du sucre, on n'est pas seulement au niveau des besoins les plus vitaux pour

l'équilibre minimal d'une collectivité humaine, on est fatalement aussi hors du marché, ne serait-ce que tant que c'est l'Etat lui-même qui contrôle et fixe d'autorité les prix des biens et services en question, à l'écart de tout mécanisme du marché. C'est dans ce cadre concret qu'il faut reposer la question : qu'est-ce qu'un «prix vrai» ? Qu'est-ce qu'un «prix vrai» lorsqu'on sait qu'il peut être alourdi dans des proportions allant jusqu'à plus de 100 pour cent (comme pour l'essence ...) en raison des seuls impôts et taxes à la consommation et autres prélèvements opérés par l'Etat qui par ailleurs se plaint tant des «charges écrasantes» occasionnées par les subventions de produits sur lesquels il commence lui-même par prélever sa «dîme» ? Doit-on compter parmi les «coûts» qui déterminent «la marge» accordée aux entreprises de transformation et partant le «prix vrai» tous les faux frais, toutes les charges plus ou moins «justifiées», toutes les pertes dues à l'incompétence, aux erreurs de gestion, aux malversations et autres détournements de fonds, toutes les dépenses de prestige et scandaleuses prodigalités qui ne servent en fait qu'à permettre à une minorité de «techno-bourgeois» de mener un train de vie somptueux sur le dos du consommateur-contribuable ? Dans un système authentiquement libéral et réellement régi par les mécanismes du marché, de telles «distorsions» — pour reprendre un terme cher aux experts du FMI — de telles marques d'une gestion à tout le moins inefficace, ne tardent en principe guère à être sanctionnées par la faillite et l'élimination pure et simple par la concurrence. Or, précisément, parce que le système n'est pas un système de marché libre et concurrentiel (ce qui au demeurant relève plus du mythe que de la réalité ...), parce que les mécanismes de détermination des prix obéissent à une logique toute différente, parce que les entreprises qui transforment et commercialisent les produits en question (qu'elles soient du reste publiques ou privées) ont un statut particulier, disposent d'un rapport de forces tel qu'elles peuvent imposer à tout le monde leur vision des choses, présenter leurs comptes comme elles l'entendent et justifier leurs coûts à leur guise, elles ne risquent en tout état de cause d'être sanctionnées ni par le marché ni par l'Etat. C'est là que le bât blesse car on est dans une situation où le consommateur n'a que les inconvénients des deux systèmes et où on veut lui imposer une «vérité des prix» dans un système où la vérité est celle des puissants qui s'accrochent à leurs privilèges et, leur part du «gâteau» étant arrêtée, se contentent de répercuter à l'aval les hausses enregistrées à l'amont.

Ceci étant, la «vérité des prix» n'est pas seulement un leurre mais aussi le comble de l'incohérence. Nous avons montré ailleurs (16) comment en la matière, le FMI ne révèle pas seulement combien il méconnaît les véritables problèmes du Tiers-Monde, mais fait preuve aussi — du moins dans le cas du Maroc — d'inconséquence caractérisée puisque la politique de subvention des prix des denrées alimentaires de base notamment est avant tout le produit de la faillite d'un modèle de développement que lui-même n'a cessé de «recommander» depuis plus d'un quart de siècle. Sans

revenir sur une telle démonstration, un point doit ici être souligné : la politique de subvention des produits de base est une nécessité rendue absolue par les « dégâts sociaux » d'un modèle de développement qui a porté les inégalités à un niveau intolérable, réservé toutes ses faveurs à une minorité de possédants et plongé l'immense majorité de la population dans un processus de paupérisation continue. C'est pour sauvegarder un certain équilibre social, si fragile soit-il, que l'Etat a été acculé à intervenir, s'intercaler entre « les deux camps » et d'une certaine manière, « compenser » si peu que ce soit, et sur le compte des deniers publics (c'est à dire de l'écrasante majorité dans la mesure où les trois-quarts des recettes fiscales sont collectées sous forme d'impôts et taxes à la consommation précisément...), ce qui a été accaparé par la minorité possédante pour permettre à la majorité des deshérités de garder la tête juste au-dessus de l'eau... L'inconséquence est certes déjà patente lorsque le FMI au moment même où il impose la suppression des subventions aux produits de première nécessité, multiplie les « recommandations » en faveur d'un accroissement des subventions, primes, bonifications et autres « stimulants » aux investisseurs privés et particulièrement aux entreprises exportatrices comme si celles-ci ne constituaient pas également des « distorsions » eu égard aux préceptes qui fondent les théories classiques et la « loi du marché »... Mais le plus grave, c'est qu'en décrétant la « vérité des prix », et partant le désengagement de l'Etat de la politique de soutien des produits de base sans pour autant remettre en cause le système de répartition des revenus et des richesses, le FMI n'est pas seulement en train d'enfoncer les pays et les peuples concernés dans le chaos économique, mais s'applique à saper les fondements mêmes de l'équilibre social jusqu'à présent tant bien que mal préservé. C'est en définitive l'ordre même que le FMI cherche à consacrer qui est miné par une politique inconsidérée, à courte vue.

2.5 PRIVATISATION : L'ARGENT DE L'ETAT ET LA LIBERTE DU MARCHE.

La privatisation d'entreprises et secteurs précédemment contrôlés d'une manière ou d'une autre par l'Etat est aujourd'hui plus que jamais à l'ordre du jour, et au Maroc, le processus est déjà bien engagé, notamment dans les secteurs des exportations, du tourisme, de l'agriculture, des transports en commun... Les questions ayant trait au rôle de l'Etat et aux rapports entre les secteurs public et privé sont certes largement déterminées par des considérations doctrinales et il serait pour le moins illusoire de feindre n'y être mû que par la recherche d'une mythique « efficacité économique ». Seulement, au-delà de cette évidence, ce que nous voulons souligner ici, c'est que le pari sur le secteur privé est aujourd'hui d'autant plus aberrant que l'histoire de près d'un quart de siècle au moins est là pour témoigner de son incapacité organique à répondre aux espoirs dont il a été investi et au titre desquels il a été gratifié des libéralités et avantages les plus insensés (codes d'investissement, régimes fiscaux avantageux, aménagements de périmètres irrigués ou de zones

industrielles viabilisées, mise en place des infrastructures de communication et télécommunication, primes et subventions de toute sorte, crédits aux conditions les plus favorables, soutien logistique et technique de l'Administration, commandes publiques...). Disons le tout net et sans «honte» : nous aurions souhaité avoir dans un pays du Tiers-Monde comme le Maroc, une classe véritablement capitaliste, bourgeoise, exploiteuse mais entreprenante, apte à épargner et investir, embaucher et produire, être compétitive et exporter, bref être le fer de lance d'un développement, capitaliste certes, mais développement quand même ... Le débat aurait été tout autre. Le problème est que notre classe dominante n'est qu'une bourgeoisie sous-développée, tout à fait pervertie, qui exploite plus qu'elle n'épargne, dilapide plus qu'elle n'investit, débauche plus qu'elle n'embauche, consomme plus qu'elle ne produit, exporte les capitaux plus que les marchandises, se lamente ou fait pression sur l'Etat pour lui soutirer toujours plus d'avantages plus qu'elle ne se bat sur le marché ; bref, une bourgeoisie qui veut à la fois le beurre et l'argent du beurre. Ceux qui aujourd'hui plaident en faveur de la réduction du rôle de l'Etat devraient savoir qu'il en irait alors des intérêts mêmes de cette «bourgeoisie» qui n'a prospéré que dans le sillage de l'accroissement des dépenses publiques dont elle a su détourner une trop grande part à son avantage. Privés des béquilles de l'Etat, ce sont des pans entiers de cette bourgeoisie là qui seraient condamnés. En fait, le paradoxe est que l'on veut un Etat simple «caissier-payeur général» mais on lui dénie le droit de maintenir son rôle de «contrôleur», fut-ce des seuls deniers qu'il prodigue. *En somme, on veut à la fois l'argent de l'Etat et la liberté du marché ... On sollicite l'Etat mais sans ses «tracasseries», le marché mais sans ses exigences...* Reconnaissons qu'il faut avoir un sérieux cran pour formuler de telles prétentions sans sourciller...

On remarquera que tout au long des développements qui précèdent, nous n'avons pas tant cherché à juger les programmes du FMI «de l'extérieur» mais avons au contraire tenu à les apprécier presque «de l'intérieur», c'est à dire en axant moins nos critiques sur les fondements mêmes qui en constituent les supports théoriques et idéologiques que sur l'opportunité, la pertinence des faits telle que chacun peut l'observer, pour peu qu'il ait un minimum de bon sens. Ainsi, il n'est aujourd'hui besoin d'être ni de «gauche» ni de «droite», mais simplement de bon sens, et de bonne foi, pour convenir du caractère irréaliste, inefficace et surtout dangereux des programmes du FMI.

C'est avec ce même état d'esprit qu'il convient à présent, en guise d'illustration des propos précédents, et avant de conclure, d'apprécier brièvement la situation économique et financière du Maroc après une période de 4 années de «cure-FMI» (de manière déclarée ou non) et en fait 7 années de politique de déflation n'ayant pour objectif suprême que le rétablissement des fameux «équilibres internes et externes», soit en quel-

ques mots la lutte contre l'inflation, et les déficits des finances publiques et des comptes extérieurs. Une certaine sagesse veut que l'on ne juge une politique que d'après ses résultats, et bien, qu'à cela ne tienne ! (17).

3. LE CAS MAROCAIN : UNE ILLUSTRATION PROBANTE.

3.1 UNE ECONOMIE PLONGEE DANS UN MARASME PROFOND

Entre 1980 et 1983, le PIB en termes réels s'est accru à peine de 0,9% en moyenne par an, taux qui, rapporté aux 2,6% de croissance démographique, donne déjà une première mesure de la chute du revenu par tête et de la tendance au déclin de l'économie nationale (on peut rappeler que le Plan Quinquennal 1981 – 1985, de fait abandonné, avait projeté un taux de croissance de 6,5%...) Bien sûr il y a la sécheresse et l'agriculture qui a régressé de 2% par an, mais outre le fait que le déclin de ce secteur est un phénomène structurel observé sur une longue période indépendamment des aléas climatiques, la situation des autres secteurs n'est guère meilleure : les BTP ont baissé de 4,2% par an, l'énergie et l'eau de 1,1%, les mines de 0,6%, les industries manufacturières et les activités tertiaires ont quasiment stagné aux environs de 1% par an. Bref, si la période 1978-1980 était déjà caractérisée par une forte récession, tous les records sont battus ces dernières années et il faut revenir aux années 60 pour retrouver des «performances» aussi tristement comparables.

La FBCF a accusé une régression moyenne de l'ordre de 2% (en termes constants et toujours pour la période 1980 – 1983) et depuis 1983 les programmes de l'Etat pour l'essentiel sont soit arrêtés soit exécutés à un rythme extrêmement ralenti. Ce sont pourtant les investissements publics qui continuent à représenter la part la plus importante de la FBCF, celle-ci n'étant encore et toujours attribuée au secteur privé que dans les proportions variant entre le dixième et le quart du total. Comment s'étonner dans ces conditions que le taux de chômage «déclaré» se soit aggravé, passant de 10% en 1980 à près de 14% en 1983, même si aucun observateur sérieux ne peut manquer de rester sceptique face à la «modestie» d'un tel chiffre quand on sait que les estimations non officielles les moins pessimistes tendent à le multiplier par deux ... La consommation des ménages a évolué à un rythme moyen légèrement supérieur à 2%. Là encore, compte tenu de la seule croissance démographique, on mesure la dégradation qui a affecté la consommation par habitant. En fait, quand on sait l'ampleur des inégalités sociales, il est plus exact de dire qu'au moment où la consommation de la minorité privilégiée a continué de croître, celle de la grande majorité de la population s'est quasiment effondrée. Du reste, une mission de la BIRD avait estimé à 7 millions le nombre de personnes vivant en dessous du seuil de la pauvreté absolue en 1977 (soit 45% de la population totale) et les résultats d'une étude récente portant sur l'année 1983 indiquent que ce nombre de «pauvres absolus» s'est encore élevé pour varier – selon diverses hypothèses – entre 8,7 et 9,4 millions de personnes (18).

Régression de la production et du revenu par tête, chute des investissements, compression de la consommation, extension du chômage et de la pauvreté absolue... on pourrait penser qu'après tout, ce n'est là que le tribut payé dans la lutte contre les maux de l'économie et pour le rétablissement des équilibres internes et externes. Voyons donc ce qu'il en est de ces derniers.

3.2. *ET CEPENDANT DES «DESEQUILIBRES» ENCORE ACCENTUES.*

Les rythmes d'inflation d'abord ont eu tendance à s'accélérer au lieu de s'atténuer : 9,1% en moyenne entre 1978 et 1980, 9,7% entre 1981 et 1983, et l'on annonce un taux proche de 15% pour 1984... Là encore, à l'issue d'un «programme» qui était censé tout orienter vers la lutte contre l'inflation, on est en passe de battre un nouveau record de toute l'histoire du Maroc indépendant... Au niveau des finances publiques, même si la progression des dépenses a été freinée, au détriment des investissements - sensiblement réduits -, des traitements de fonctionnaires - quasiment gelés -, des créations d'emplois comprimées - l'accroissement des recettes ordinaires pour leur part est demeuré en deçà du niveau nécessaire à la résorption du déficit budgétaire. C'est que, comme nous l'avons déjà souligné, c'est la stagnation de l'activité économique même qui cantonne l'assiette fiscale dans des limites de plus en plus étroites et cela malgré une aggravation des taux nominaux des impôts et taxes à la consommation (19). Si bien que les déficits du Trésor sont demeurés en définitive tout aussi élevés qu'auparavant, soit à un niveau proche de 12% du PIB, même s'il est vrai que 1984 a marqué une certaine atténuation de ce taux (tombé à 9,7%). Il faut dire aussi que le service de la dette publique a ponctionné de plus en plus fortement les ressources disponibles : en moyenne, il a représenté 23% des recettes ordinaires entre 1980 et 1983. Compte non tenu du rééchelonnement de la dette obtenue à partir de 1984 (et dont les modalités demeurent assez obscures sur ce plan), le service de la dette aurait cette année-là absorbé près de 40% des recettes ordinaires...

Au niveau des échanges extérieurs, et bien que là encore, toute la politique économique et financière menée depuis 1978 ait été axée sur le rétablissement des équilibres des balances commerciales et des paiements, la situation n'a en fait cessé de se détériorer. Entre 1980 et 83, les importations ont continué à augmenter au rythme annuel de 16,3% en termes courants et de 7,2% en termes constants, principalement sous la pression de l'aggravation des «factures» alimentaire et énergétique, mais aussi sous l'effet des dévaluations successives du Dirham et de la hausse du dollar. Quant aux exportations, elles n'ont augmenté en valeur que de 7,2% en moyenne et -surtout- ont même baissé en volume de 5,7% par an durant la même période. Si bien que le déficit de la balance commerciale a encore battu des records historiques : plus de 15 milliards de DH en 1984, contre

11,7 milliards entre 1981 et 1983 et 6,6 milliards entre 1978 et 1980 en moyennes. Le taux de couverture des importations par les exportations ne devrait guère dépasser 51% en 1984. On comprend dans ces conditions que malgré l'accroissement considérable des transferts des travailleurs marocains à l'étranger (première source de devises depuis 1980), les déficits du compte courant aient à leur tour atteint des records impressionnants, soit près de 10 milliards de DH entre 1981 et 83 contre 5,8 milliards entre 1978 et 80. Le déficit pour 1984 promet d'être à l'image de celui attendu au niveau de la balance commerciale. Est-il besoin de préciser que l'essentiel des emprunts extérieurs contractés pour faire face à ces déficits servent à peine à s'acquitter du service de la dette extérieure ?

Récapitulons encore : persistance de l'inflation, maintien de niveaux élevés des déficits budgétaires, déficits records des balances commerciales et des opérations courantes, recours massif à l'endettement extérieur pour assurer le seul service de la dette... et au bout du compte, comme pour couronner le tout et «récompenser» plusieurs années de purgatoire, des crises de liquidités à répétition depuis 1983, des réserves de change assurant quelquefois moins de 10 jours d'importations, des arrêts en catastrophes de tout achat à l'étranger, bref, un état de cessation de paiement, la demande de rééchelonnement de la dette extérieure, et à nouveau l'appel du F.M.I....

Les faits sont assez éloquentes, et, répétons-le, il n'est nullement besoin d'avoir le moindre à priori politique ou idéologique pour se rendre à l'évidence : le FMI est en train de chercher à nous guérir en nous tuant. L'échec de la politique menée sous son égide au Maroc est total. Non seulement aucun des objectifs poursuivis n'a été atteint, mais surtout, le tribut payé par l'économie de la société marocaine a plongé celle-ci dans un chaos dont il lui sera extrêmement difficile de sortir.

A un niveau plus général, on a pu voir comment, pour s'être enfermé dans un cadre théorique étroit, irréaliste et inadéquat, pour avoir sacrifié les équilibres économiques et sociaux sur l'autel des équilibres financiers, le développement à long terme aux échéances à court terme, pour avoir pris le structurel pour le conjoncturel, et l'intérêt de quelques-uns pour celui de tous, pour avoir manqué gravement de cohérence tant au niveau de l'approche des problèmes que de leurs solutions, le FMI condamne un peu partout dans le Tiers-Monde ses programmes à l'échec. A la limite, le FMI dessert même les forces qui le soutiennent et qui l'ont érigé en gendarme garant de leurs intérêts, à commencer par le grand capital financier international, créancier d'une grande part de la dette extérieure du Tiers-monde puisque, lorsqu'un pays «sort» d'un « programme d'ajustement » en plus mauvais état encore qu'il n'y est «entré», il est encore moins apte à faire face à ses échéances et rembourser sa dette. A moins que l'action du FMI ne s'intègre dans le cadre plus vaste d'une stratégie de contrôle permanent et plus étroit des politiques économiques et

sociales du Tiers-monde, et de leur soumission, plus encore que par le passé, aux impératifs des mutations en cours du capital à l'échelle mondiale ...

CONCLUSION :

TROIS AXES POUR UNE VOIE DE SALUT.

Comment, après tout cela, ne pas convenir que, pour le Maroc comme pour tous les pays du Tiers-Monde se trouvant dans des situations comparables aux siennes, la voie de salut (car il n'est question que de cela, le développement et la prospérité n'étant guère à l'ordre du jour...) va tout à fait dans le sens opposé à celui actuellement suivi ? Cette voie, chacun a le droit de la « meubler » selon ses possibilités et sa sensibilité, mais personne n'a le droit de se tromper sur sa direction. Parmi les axes permettant d'aller dans cette direction, soulignons en guise de conclusion trois qui nous paraissent aujourd'hui les plus importants:

A/ - Le premier axe, qui est en fait carrément le préalable absolu à tout le reste commence par le *refus du diktat du FMI*, l'abandon de ses « programmes d'ajustement » et l'obtention de délais de grâce pour le remboursement de la dette extérieure de 5 à 10 ans minimum, et sans conditions relatives à la politique économique et financière interne des pays concernés. Nous avons suffisamment insisté sur les dangers des programmes du FMI pour que chacun comprenne que leur abandon est une nécessité urgente et le préalable à tout espoir de redressement. Le problème est que les pays débiteurs n'ont pas encore pris conscience que l'ampleur de leur dette est à la fois leur faiblesse et leur force et qu'ils disposent d'une carte maîtresse dans toute négociation avec leurs créanciers. On a vu comment l'ensemble du système financier international a tremblé à la seule menace par le Mexique du non-paiement du service de sa dette aux échéances prévues durant l'été 1982. Bien sûr, le Maroc n'est pas le Mexique mais précisément, quelle que soit l'importance intrinsèque de la dette de tel ou tel pays, une négociation avec le « cartel des créanciers » (Clubs de Paris et Londres) n'a de chance d'aboutir en faveur des pays du Tiers-Monde que si elle est menée *collectivement* par un « *Syndicat des débiteurs* ». La capacité de négociation d'un tel syndicat serait d'autant plus grande qu'il serait apte à mettre en bloc les quelques 800 milliards de dollars de dette de ses « adhérents » dans la balance ; mais en même temps, il ne saurait en rester là car le fond du problème réside dans le dérèglement total du système monétaire international qu'il s'impose de réformer d'urgence, sans quoi, c'est le monde entier qui reste assis sur un volcan. On a pensé, au mois de juin 1984, avec la conférence de Carthagène des pays d'Amérique Latine, qu'un tel processus était engagé mais hélas, il a fallu assez rapidement déchanter. Ce qu'on appelle déjà « la doctrine Volker » a eu raison des velléités contestataires exprimées alors. Cette doctrine est vieille comme le monde puisqu'elle consiste seulement à « diviser pour mieux être rem-

boursé» (20). Les pays «raisonnables», passent un à un devant la table de négociation et sont gratifiés d'un «bonus» (des prêts un peu plus longs et un peu moins chers) contre l'acceptation d'un programme draconien ; les récalcitrants sont progressivement isolés, entourés d'un «cordon sanitaire» et condamnés à la diète jusqu'à les acculer à céder par épuisement des forces... Même l'Argentine a fini par reculer devant un tel chantage. Oui, mais justement, tout cela ne fait que conforter l'idée que les pays débiteurs n'ont pas d'autre issue que de s'unir pour faire front et contre-carrer la «doctrine Volker». S'il y a une tâche urgente à laquelle la diplomatie du Tiers-Monde, mais aussi ses organisations démocratiques de masse doivent s'atteler, c'est bien celle-là

B/- Le deuxième axe passe par le *renforcement du rôle de l'Etat* en tant que moteur du développement économique, ce qui n'exclut pas la nécessité de réformer radicalement la forme comme le fond de ses interventions et d'assainir la gestion d'un secteur public dont les tares sont fréquemment manifestes. En même temps s'impose la mise en œuvre d'un *Plan de développement expansionniste*, effectivement ambitieux mais qui se donne aussi les moyens de ses ambitions. Soulignons-le encore : l'option en faveur d'une intervention active de l'Etat dans le processus de développement procède moins d'un quelconque a priori idéologique ou doctrinal que d'un constat de fait : le secteur privé n'a pas cessé de donner la preuve de son inaptitude à jouer le rôle qu'on s'entête encore à vouloir lui faire jouer. De même, une relance de l'économie est une urgence absolue que personne ne peut sérieusement contester. Les moyens actuels étant ce qu'ils sont, une telle relance impliquera, il faut le dire, un déficit budgétaire plus ou moins important, du moins à court terme. Nous avons déjà souligné l'inconsistance du dogme de l'équilibre budgétaire. Le comble de l'inconséquence (encore un...) est qu'aujourd'hui, les chantages de la théorie néo-classique et de l'orthodoxie financière sont les premiers à fouler sous leurs pieds les dogmes qu'ils prêchent pour les autres.. Mais pourquoi donc les conseillers économiques de R. Reagan ne commencent-ils pas par balayer devant leur propre porte et supprimer un déficit budgétaire américain de près de 200 milliards de dollars, de surcroît en grande partie responsable de la hausse du dollar et de tous les problèmes qui en découlent pour le reste du monde ? Pourquoi le FMI se garde-t-il bien (une fois de plus) d'imposer sa thérapeutique à un pays qui pourtant présente les principaux symptômes d'un pays passible d'«ajustements structurels»; à savoir un déficit budgétaire monstre et un déficit de la balance commerciale record ? Il est vrai que ce pays ne risque pas de tomber en état de cessation de paiement puisque le monde entier est là pour l'alimenter en capitaux. Il reste que, pour en revenir au déficit budgétaire, la vraie question est celle de l'usage qui en est fait et, de manière générale, de l'affectation des dépenses publiques. Un déficit budgétaire maîtrisé, mis au service d'une véritable dynamisation de l'économie et d'une intensification des investissements productifs, bref, pour re-

prendre le titre d'un article précédemment cité, « un déficit budgétaire pour préparer l'avenir » (21) devrait contribuer à permettre à l'appareil productif de dégager les ressources nécessaires à sa propre résorption. Ceci étant, il est évident que cette politique doit être accompagnée d'un effort de mobilisation du surplus économique interne, laquelle ne va pas sans une meilleure redistribution des revenus et des richesses.

C/ - Le troisième axe commande une véritable inversion des priorités quant à l'objet de l'effort de développement. Car la question aujourd'hui n'est pas de savoir si l'on est pour ou contre la promotion des exportations ou des investissements étrangers. Elle est de savoir si cette stratégie est simplement «payante» et si ses «avantages» sont supérieurs à ses «coûts». Elle est de savoir si toutes nos ressources, toutes nos énergies, tous nos efforts doivent être orientés vers la vaine recherche de la satisfaction des caprices des marchés extérieurs ou si la mobilisation de nos moyens disponibles – et ils sont plus importants qu'on ne croit – doit être d'abord mise au service de la satisfaction de nos besoins intérieurs, à commencer par les plus vitaux, c'est-à-dire alimentaires. Or, même une approche purement «techniciste», de type «coûts-avantages» montre aujourd'hui à l'évidence que le passif est autrement plus lourd que l'actif... et l'expérience du Maroc à cet égard est concluante. C'est dire que là aussi, nous n'avons pas le choix : la priorité à la satisfaction des besoins internes, la stimulation de la demande interne, l'élévation du pouvoir d'achat de la population, fut-ce seulement pour élargir le fameux marché intérieur sans lequel aucun investissement n'est rentable et aucune entreprise n'est fiable, tout cela n'est que par un simple constat des faits, les leçons de l'expérience ... et un minimum de lucidité.

Ces propos sont assez généraux et chacun de ces trois axes nécessiterait de longs développements pour préciser son contenu et les voies et moyens de sa concrétisation. Mais l'objet était d'essayer d'aller à l'essentiel, c'est-à-dire tracer «la ligne de démarcation» entre les choix de nature à redonner quelques raisons d'espérer en l'avenir, et les autres ; en somme le «seuil minimal» en deçà duquel rien n'est possible, ou plutôt hélas, tout est possible, y compris le pire ...

NOTES

1. Compte tenu toutefois d'un taux de change d'un dollar pour 9 DH «seulement» alors qu'en fait, cette parité est largement dépassée depuis les derniers mois de 1984.
2. Paris, Septembre 1984.
3. Sur cette question, cf. Ch. Vanheccke, «FMI, le père fouettard de l'Amérique Latine», *le Monde* du 5.6.1983; M. Sidhom, «les colonies du FMI», *l'Expansion*, Octobre 1979.
4. Cf. Sidney Dell, «Stabilization, the Political Economy of Overkill» *World Development*, Oxford, August, 1982.
5. Cf. P. Jacquemot, «le FMI et l'Afrique Sub-Saharienne : une critique des politiques d'ajustement». *Le mois en Afrique* Août 1983.
6. Pour plus de détails, cf. M. Kelly, «Déficits budgétaires et programmes financés par le Fonds», *Finances et Développement*, No. 3. FMI, Septembre 1983; A. De Vries, «Politique publique et secteur privé» - *Finances et Développement*, No. 3, FMI, Sept. 1981.
7. Cf. M. Kelly, «Déficits budgétaires et programmes financés par le Fonds» *op. cit.*, J. Williamson, «IMF conditionality», *Institute for International Economics*, Washington - Sept. 1983.
8. Cf. *Finances et développement*, No. 3, FMI, Sept. 1983.
9. Cf. E. Israelewicz, «Les pères fouettards du FMI», *l'Expansion*, Sept.-Oct. 1984.
10. Cf. J. Mazier, «Un déficit budgétaire pour préparer l'avenir», *Le Monde de l'Economie* du 13 Nov. 1984.
11. S. Dell, «Stabilisation: the Political Economy of Overkill», *op. cit.*, p. 8.
12. Cf. *Entretien*, *l'Expansion*, No. 223 (spécial) du 7 Oct. 1983.
13. Cf. K. Nashashibi, «La dévaluation dans les pays en développement : des choix difficiles», *Finances et Développement*, No. 1, FMI, Mars 1983.
14. Cf. N. Kaldor, «Dévaluation et Ajustement dans les Pays en Développement», *Finances et Développement*, No. 2, FMI, Juin 1983.
15. Cf. N. Akesbi, «Consommateurs, si vous saviez...» Dossier «Vérités sur la caisse de compensation». *Libération*, Hebdomadaire, Casablanca, No. 287, Nov. 1980.
16. Cf. N. Akesbi, «Les Illusions d'une Politique de Vérité des Prix au Maroc». *Le Monde de l'Economie* du 20 Mars 1984.
17. Au demeurant, nous n'utilisons quasiment que les statistiques officielles, même si chacun sait que la fiabilité de celles-ci est quelquefois pour le moins douteuse... cf. Rapports annuels de la Banque du Maroc et de la BNDE, Rabat ; «La conjoncture économique du Maroc», *Bulletin de la Direction de la statistique*, Rabat.
18. Cf. *Ittihad Ichtivaki*, quotidien en arabe, Casablanca, 8-9 janvier 1984.
19. Aussi, à titre d'exemple, en 1982 et 83, en l'espace de 18 mois, la seule taxe sur les produits (TCA) a vu son taux de base passer de 15 à 17 % puis à 19%..
20. Cf. *Le Matin de Paris*, 3.9.1984.
21. Cf. J. Mazier, *op. cit.*

SUMMARY

Morocco, like most African countries undergoing economic difficulties, also resorted to IMF for solutions. In the first and second parts of his paper, AKESBI undertakes a description and a critical analysis of the theoretical bases of the IMF strategy as applied in every country that requested assistance from the IMF. In the third part, the Moroccan case is used as an illustration to his discussions. He then concludes his paper on a number of policies to adopt as an alternative to IMF dictates.

On the theoretical bases of the IMF strategy, AKESBI points out that, from the Fund point of view, the economic problems of Third World countries are internally generated and the State is responsible first and foremost for its own difficulties. Hence the necessity of a liberal monetary strategy and the recommendations still in keeping with the neo-classical doctrines. The primary concern of IMF is in fact to try and restore everywhere the financial balance as if the latter was more important than others, namely, the economic balance and more so the social balance. AKESBI also feels that not only are priorities set in this manner, among the various equilibria, hardly objective but with reference to this very financial balance which is given precedence over the others, the failings in the IMF stabilization programmes are their very inefficiency and inconsistency. This applies especially to budget deficits which are induced from the outset by a wrong diagnosis and which immediately cause an over-destruction of economies. It also applies to the large-scale devaluation programmes always following IMF recommendations which turn out to be inefficient and dangerous in view of their negative impact on the trade balance, on imports and on internal unbalances. It finally holds true for actual prices which are in fact set by «powers» and for privatization which has not come up to expectations in spite of all the allowances being made for over twenty five years.

Back to the Moroccan case, AKESBI feels that there is nothing special in the experience of this country as far as applying IMF remedies is concerned. On the contrary such an experience is the epitome of the failure of the structural re-adjustment policy, based on the above mentioned causes.

In concluding his paper, AKESBI makes three proposals which, he believes, are a pre-requisite for any real structural change. These are:

- To refuse to comply with IMF dictates and obtain at least a 5–10 year grace period for re-imburement of the external debt without any strings attached to the domestic economic and financial policy of countries concerned.

- To consolidate the role of the State as the driving force of economic development, which does not preclude the need to undertake a radical change in both the form and substance of State intervention and a re-organization of the public sector management.

- To reverse priorities as to the desired development objective i.e. to give priority to fulfilling basic needs over satisfying the whims of outside markets.

IMF ADJUSTMENT POLICIES IN GHANA SINCE 1966

By

*Eboe HUTCHFUL**

INTRODUCTION

Ghana's long association with IMF adjustment programmes in various periods over the last two decades affords a better than usual opportunity to assess the efficacy of these programmes as instruments for the recovery of African economies in the global crisis. Fund programmes were applied or attempted in 1966–68, 1971–72, and 1978–79; a programme commenced in 1983 is currently in force. Ghana's experiences also raise (by no means for the first time) important questions regarding the political conditions necessary for the application and implementation of these programmes. In Ghana all programmes have been implemented under military governments. In only one case (1971–72) did a 'democratic' civilian government successfully negotiate a Fund programme; however an attempt to implement the programme led to the immediate overthrow of the government. In two other cases (the governments of Dr. NKRUMAH and Dr. LIMANN) negotiations ended in deadlock, in each case broken by violent military overthrow of the government. The present programme in Ghana, in the process of implementation by the government of the PNDC, raises afresh urgent questions of the extent to which these programmes are compatible with popular participation in tasks of reconstruction and development and with the democratisation of politics and of the workplace.

This paper reviews in a general way the most important aspects of Ghana's experiences as a basis for more detailed discussion.

ADJUSTMENT IN THE SIXTIES (1966–1971)

The crisis in the Ghana economy, commencing in the sixties and deepening in the seventies and eighties, was rooted in a particular «development conjuncture» the foundation of which was laid between 1960 and 1966 and the basic outlines of which are already well known. The constituent aspects of this «conjuncture» were as follows:

- import-substituting industrialisation involving terminal stage processing for a relatively small internal market, on the basis of imported inputs;
- little attempt to evolve a complementary export strategy, or to expand the traditional export base;
- substantial state investment and entrepreneurship in industry and large-scale agriculture;
- large foreign borrowing, particularly of short and medium-term credits;
- relative neglect of domestic agriculture, and non-integration of agriculture with industry.

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The main elements in the crisis, which appeared in the mid-1960s and have remained relatively constant in the last two decades, may be summarised as follows:

- decline in both total volumes and earnings of major exports except for cocoa in the periods from 1959 to 1966, when export volumes (but not earnings) rose by 100 %;
- a sharply deteriorating balance of payments situation, with growing deficits on both current and capital accounts, countered with import licencing and exchange controls;
- an increasing debt service burden (repayment of 75% of principal and interest on total debt due between 1966 and 1970);
- low capacity utilisation in import – substituting industries owing to shortages of imported inputs;
- slow growth in domestic agricultural production and strong price increases in local foods;
- supply shortages in both imported and domestic consumer goods;
- rapid growth in government recurrent and capital expenditure combined with sluggish growth in revenues. Unchecked expansion in budgetary deficits financed largely by drawing on the central bank;
- strong inflationary developments in the economy, (countered with – ineffective – price controls) and development of black market in currency and consumer staples.

It was against this background that the first IMF adjustment programme was applied from 1966 to 1968. The programme concentrated on the standard policy instruments:

- reduction in overall government expenditures (affecting mainly the capital budget) and in the size of the deficit, and recourse to non-inflationary sources of borrowing to cover the remaining deficit;
- reduction in bank credits to both the public and private sectors;
- wage and salary controls;
- large-scale retrenchments in the public and private sectors (over 10 % of total wage labour);
- devaluation of the cedi (by 30 % against the U.S. dollar);
- gradual liberalisation of import and exchange controls and removal of price controls and subsidies;
- short-term rescheduling of the external debt and restrictions on fresh short-and-medium-term borrowing.

Ghana's experiences with the Fund adjustment in this period indicated the following (1):

(a) the programme failed to acknowledge or address the problem of the external environment or dependency structures, which were reflected in, among other things, the terms of exchange in Ghana's international trade and which to a fundamental extent constituted the foundation for

the crisis. The programme concentrated on the adjustment of the domestic economy to the prevailing forces of the world market, on the basis of the misleading impression that there existed the possibility of a purely internal solution to the crisis;

(b) little attention was directed in the programme to the removal of structural constraints and the removal of supply bottlenecks, the most important of which related to the absence of a domestic resource base for industry, the lack of a capital goods sector, and declining agricultural productivity. In the programme, these problems (when acknowledged) were treated as implicit variables that could be addressed (indirectly) through monetary and pricing policies. In particular the programme failed to articulate any policies for domestic agriculture (as an indication of this neglect, bank lending to the agricultural sector declined from C 13.8 million in 1966 to C 3.8 million in 1968). The 'recovery' programme was predicated heavily on bilateral/multilateral grants, concessional lending, and subsidised emergency commodity imports, rather than laying the domestic basis for sustained growth.

Because structural problems were ignored in favour of reliance on essentially monetary instruments, the adjustment programme failed to realise its key objectives;

(c) *Devaluation* of the cedi had negligible effect on both import and export levels and hence on the balance of payments situation. For this reason, even limited liberalisation proved impossible to sustain without further deterioration of the external balances. In the case of imports, the rate of devaluation failed to check significantly import demand; after a brief attempt to liberalise imports in 1967, direct controls had to be reinstituted. In general, exports were marked by continued decline in volume, most notably in the case of cocoa (from 557,000 long tons in 1964/65 to 334,000 in 1968/69). Among the reasons for this were the fact that (i) most exports were priced in foreign exchange and were thus not sensitive to changes in the external value of the cedi; (ii) potential export commodities (such as manufactures) contained large import content the pricing and hence competitiveness of which were negatively affected by devaluation; (iii) the existence of non-price constraints which were not sufficiently addressed (e.g. dependence on foreign inputs);

(d) without solutions to the domestic supply bottlenecks, devaluation could be expected to provide a 'shock-push' to inflation. The alteration of price – relationships between imported and domestic (finished) products could be assumed to stimulate domestic production, only where (i) local substitutes did exist and (ii) did not contain large quantities of imported inputs. Except in the area of food this assumption was substantially false;

(e) the stabilisation in government finances was achieved through reductions in expenditure rather than through an extension of the revenue base. On the contrary the tax base would appear to have shrunk (partly because of tax concessions to foreign businesses), with cocoa receipts occupying an enhanced role in government finances (from 17 % of total revenues in the early sixties and 7 % before the adoption of the adjustment programme, to 30.4 % of all receipts in 1968, 37.4 % in 1970 and 42 % in

1971). Given that the normal path of development of government expenditures is that of upward growth, this form of financial 'stabilisation' could not be sustained; (ii) the cutbacks in government expenditure were effected mainly in the capital budget, which was the leading source of capital formation in the local economy. Public sector investment fell by 17% in 1966, 20 % in 1967, and 3.5 % in 1968; contrary to the expectations of the adjustment programme the 'slack' in investment was not taken up by the private sector. This provoked a steep recession which could not be halted or reversed without recourse once again to public sector spending;

(f) the emphasis in the programme on norms of private as opposed to social profitability precluded serious consideration to questions of either equity or structural transformation. Similarly there was fundamental incompatibility between objectives of self-reliance and national economic management and the insistence in the Fund programme on foreign capital and expertise as the primary condition of economic recovery, the return of significant sectors of economic life to foreign control, as well as the high profile of foreign 'experts' in the design, implementation and monitoring of the programme. These created conditions which all but the most servile regimes would have found intolerable;

(g) key aspects of the programme also had serious implications for social and political stability and for class politics. 'Recovery' was staged on the backs of the working classes and the poor and on the basis of extensive concessions to (foreign) capital: large-scale retrenchment and the swelling of the ranks of the unemployed (as opposed to the productive utilisation of the large masses of surplus labour); the abandonment of equity as the principle of social development and evidence of growing income differentials (2); cutbacks in socially essential investment like health, education and housing; and the removal of subsidies and price controls simultaneously with the imposition of rigid wage controls – these developments led to social and industrial unrest and violent crime which could be contained only through repression.

The experiences with the 1966 programme led to a level of political resistance to IMF programmes both among the popular masses and governments that seriously affected their possibility of success. In addition to the political volatility of the programmes, there were doubts regarding their relevance to Ghana's economic situation. No sooner had stabilisation been concluded in 1968 than the basic structural tendencies reasserted themselves – manifested in balance of payments difficulties, supply shortages, the resumption of inflation, and rising government expenditures. Within the terms of the logic of the Fund, these tendencies could be kept in check only with further (or indefinite) application of austerity and deflationary policies. The civilian government that took power in October 1969 was confronted with the choice between growth-oriented policies and continuation with a policy of deflation and stagnation. The 'growth' policies which were mainly adopted emphasised resumption of government development spending and progressive liberalisation of imports (however these were consumer rather than capital imports). Given the prevailing domestic and external environment these policies proved premature, introducing

further strain on government finances and the external balances, aggravated by the downward trend of cocoa prices in 1971 and the resumption of debt service (under the debt agreement of 1968) in mid-1972. Another adjustment programme was negotiated (with great reluctance) with the Fund at the end of 1971. This new programme incorporated no fresh approaches. Like the preceding one it called for devaluation of the cedi (by 44 % against the U.S. dollar), cuts in the development budget; tight restrictions on the growth of recurrent expenditures, bank credits and new external borrowing, and the elimination of short-term trade debts. The military coup that occurred almost immediately in response to the introduction of the programme made it impossible to assess its longer-term prospects of success, but some of its short-term effects were clear. These included the near-bankruptcy of many domestic importers, a sharp upsurge in consumer prices and hoarding, and the likelihood of substantial increases in manufacturing costs (3).

ECONOMIC DEVELOPMENTS 1975–1981

The period following the military coup of 1972 posed interesting questions as to the extent to which it was possible for the Ghana economy to adjust to the 'global' recession without recourse to the 'multilateral' institutions. The repudiation of the Busia – IMF programme and the unilateral rescheduling and cancellation of external debts (February 1972) forced the military government on a path of 'self-reliance'. The key to this (from 1972/75) was the return to a regime of direct controls and strict enforcement of import-licencing, which coincided with upward price movements on the world cocoa market; in addition there was a favourable long-term debt-settlement in March 1974 which incorporated a ten-year grace period. However financial restraint and careful management of the external balances were shortlived and were not combined with any meaningful attempts to re-orient the economy on to a more self-reliant basis. After 1975 the Ghana economy deteriorated steeply in all sectors. Although an important cause for this was a series of external 'shocks' to the economy, clearly the central explanatory factors related to the management and performance of the domestic economy. The main developments in the economy (1975–1981) can be seen from the following indicators:

(a) Decline in Export and Domestic Production

There was steep decline in all areas of production for both export and the domestic market, affecting agriculture, mining and industry. Exports of cocoa fell from 397,300 metric tons in 1975 to 246,500 metric tons in 1981. Ghana's share of total world production dropped correspondingly from 24.4 % in 1974/75 to 15.4 % in 1980/81. The most important factors in the drop in exports were declining real producer prices (e.g. the 1977 price of ¢ 30 per 30 kg load, adjusted for the rise in cost of living, was less than one-third of prevailing prices in the 1950s), drastic changes in price relationships between cocoa and domestic food crops (the prices of which had risen three to seven times faster than those of cocoa), breakdown in the haulage system, slow progress in rehabilitation projects in Ashanti and the Eastern Region, and smuggling due to the depreciated real

value of the cedi. Similarly there was a decline in the export of timber and wood products from 623,000 cubic metres in 1975 to an estimated 185,000 cubic metres in 1980 and 222,000 cubic metres in 1981. Large falls in exports occurred for all mineral exports. From 100 in 1977, the index of production of gold dropped to 70.8 in 1981 while those for diamonds, manganese and bauxite dropped to 43.0, 76.5, and 65.2 respectively. The main reasons for the serious reverses in the production of the mining industry were obsolete machinery, lack of spare parts, exhaustion of the richer deposits, and the liquidity problems of the mining companies. The logging industry was also affected by breakdowns of antiquated machinery, lack of haulage equipment, fragmentation of concessions, and rise in production costs.

Table 1: Export Production (Volumes) 1975–1981

	Thousands Units						
	1975	1976	1977	1978	1979	1980	1981
Cocoa (tonnes)	397.3	326.7	277.4	268.2	280.8	277.2	246.5
Timber (cubic metres)	623	565	586	591	285	185	222
Gold (kg)	16.3	16.5	15.0	12.5	11.1	11.0	10.6
Diamonds (carats)	233.3	228.3	194.7	142.3	122.6	114.9	836.4
Manganese (tonnes)	415.3	361.9	292.4	316.7	253.8	249.9	223.1
Bauxite (tonnes)	325.2	271.6	279.2	327.9	235.3	225.1	181.3

Source: Central Bureau of Statistics, *Quarterly Digest of Statistics* (June 1984).

Table 2: Index of Mining Production 1977–1981 (1977:100)

	1977	1978	1979	1980	1981
Gold	100	83.6	74.2	73.4	70.8
Diamonds	100	73.1	63.0	59.0	43.0
Manganese	100	108.3	86.8	85.7	76.5
Bauxite	100	117.4	84.3	80.9	65.2
Over-all Index	100	87.1	74.9	73.8	68.2

Source: *Ibid.*

Similar trends were manifest in domestic production. Owing principally to balance of payments constraints and shortage of imported inputs the index of manufacturing fell drastically from 100 in 1977 to 69.0 in 1980 and 63.3 in 1981. Average capacity utilisation was estimated at only 24 % in 1981. The production of cereals and other agricultural staple also dropped sharply. Between 1974 and 1982 the maize crop fell by 54 %, rice by 80 % cassava by 50 % and yam by 55 %. The most important reasons were drought and irregular rainfall, but poor agricultural policies also held a major responsibility.

(b) Balance of Payments Deficits

It is noteworthy however that lower export volumes were more than offset by higher export values, so that total export earnings actually rose appreciably. For instance total earnings from mineral exports rose from ₵ 106.3 million in 1976 to ₵ 559 million in 1980 and fell slightly to ₵ 487.3 million in 1981, owing almost exclusively to the increase in the price of gold. Aggregate export earnings rose from ₵ 950 million in 1976 to ₵ 2,924 million in 1981. Nevertheless current account deficits increased in the same period from ₵ 70.2 million to ₵ 418.7 million. This was due largely to the higher cost of imports and particularly of energy imports; in 1981 imports of petroleum products were equivalent to 45.7 % of total export earnings (₵ 963 million), as opposed to only 6 % (₵ 46.7 million) of exports earnings in 1973.

(c) Uncontrolled Budgetary Deficits and Monetary Expansion

Total budgetary expenditures of government rose by 615% from ₵ 1438.6 million in 1975/76 to ₵ 8,844 million in 1981/82; in the same period current revenues rose by 56% from ₵ 814.8 million to only ₵ 1,271 million. Between 1979 and 1981 government expenditures almost doubled (from ₵ 4,671.5 million to ₵ 8,844 million) while revenue increased by only 50% from ₵ 3,279 million to ₵ 4,545 million. Most of the increase occurred in the recurrent budget, which jumped by 794% between 1975/76 and 1981/82; capital expenditure on the other hand shrank from 35% of the total budget in the mid-seventies to 10% in 1981/82. In the same period the total budgetary deficit grew by 690% while the deficit on current account expanded by 1853%. Total current receipts in 1980/81 were barely enough to cover the deficit on current account. In 1981/82 the current account deficit was equivalent to 174% of total revenues.

These large deficits in the government budgets were covered by heavy borrowing from the central bank. Borrowing from the Bank of Ghana averaged 90 % of the total deficit between 1975 and 1978, 22.5 % from 1978/80, and 57.5 % from 1980 to 1982 (reference is to fiscal years). Credit to the public sector was the largest source of monetary expansion; the money supply (money in circulation outside the banks plus demand deposits held by the banks) leaped by 933 %, from ₵ 1009 million in 1975 to ₵ 9415 million in 1981. As a reflection of the inflationary conditions and the dominance of speculative activity, most of the increase in liquidity was in the form of money held outside the banks; demand deposits rose by only 13 % in 1981, compared with increases of 59.8 % (1980) and 54.6 % (1981) in the volume of money in circulation.

The mounting budgetary deficits reflected both poor expenditure controls and negative developments in the revenue base of government. In 1980 cocoa duty which in the past had contributed about 40 % of total revenues, yielded negative revenue and in 1981 the Cocoa Marketing Board incurred an estimated deficit of ₵ 2 billion as a result of the tripling of the producer price of cocoa. The effective rate of duty collection by government agencies also declined progressively, from about 22 % in 1971/72 to 7.2 % in 1975/76, as compared with the nominal duty rate of 45 %. It was estimated that as a result of widespread tax evasion and low tax effort, the

Ghana government in the same period collected no more than 5 % of taxable GDP in income taxes, compared with a 15 % average in countries at similar stages of development. Low tax effort was also apparent in the distribution of taxation, with companies and employees contributing over 80 % of income tax revenue while the self-employed contributed less than 10 %.

Thus by the end of 1981 the Ghana economy was clearly in a critical state, characterised by steep recession, serious shortages and stagflation. GNP had stagnated (in 1975 constant prices) at ₵ 5290 million in 1981 from ₵ 5241 million in 1975. The GNP index had moved from 100 in 1974 to 87.3 in 1975, 93.8 in 1978, and 88.1 in 1981. Per capita GNP fell from ₵ 537 in 1975 to ₵ 467 in 1981. Prices moved up sharply for both imports and domestic commodities. The price index for consumer items escalated from 29.6 in 1975 to 46.2 in 1976, 173.3 in 1978, 267.3 in 1979, 401.2 in 1980, and reached 868.7 in 1981 (1977:100). Correspondingly the index of real wages fell from 100 in 1976 to 54 in 1978 and 31 in 1980. Real wage levels in 1982 were estimated at 17 % of 1975 wage levels. The inflation and decline in productive sectors were accelerated by the shift to speculative trading activities that yielded vast returns, sucked liquidity from production to short-term trade transactions and thus discouraged investment and productive activity. Wholesale and retail trade increased their share of GDP from 12 % in 1971 to nearly 30 % in 1981. The operation of foreign exchange and price controls, in combination with the overvaluation of the cedi, led to the emergence of a small class of wealthy traders who, in alliance with the state and parastatal bureaucracy, controlled access to import licences and the production of state enterprises and realised untaxed windfall profits from the difference between official and black market prices. The social power of this comprador bourgeoisie, expressed in the extensive corruption of the state apparatus, accounted for serious distortions in the economy.

Licences were issued for the importation of finished goods which domestic industries were designed to produce, while the same industries languished for lack of imported inputs. The system of official price controls forced local industries to sell below their costs of production while fortunes were reaped downstream on the free market by private traders.

In 1978 an attempt was made to check the downward slide with the introduction of an adjustment programme backed by the Fund. The cedi was again devalued by 58 % against the U.S. dollar (from \$ 1 = ₵ 1.15 to \$ 1 = ₵ 2.75). The overall planned deficit in the budget was reduced to ₵ 500 million (from ₵ 1.5 billion actual in 1977/78) of which only 22 % (actual) was covered by drawing on the central bank. The cocoa price was doubled from ₵ 40 to ₵ 80 per load. Early in 1979 these measures were followed with a demonetisation exercise to reduce liquidity in the economy. The IMF supported the programme with SDR 53 million in January 1979 of which only SDR 32 million had been withdrawn by the time of the expiration (cancellation?) of the stand-by in January 1980.

As the data presented above suggest, no permanent gains were realised from the 1978 programme, and with the return to civilian rule late in 1979 the programme was effectively abandoned (4). Throughout its term

of office, the LIMANN government was engaged in sporadic and unsuccessful negotiations with the IMF over a new programme. The government was paralyzed, unable on the one hand to initiate by itself a credible economic policy to contain the crisis, and unwilling on the other to risk its fragile political support to make a drawing on the Fund. (As the 1972 experience showed, so widespread was the opposition to IMF policies that the imposition of another programme appeared politically unfeasible). In 1981 the cocoa price was tripled, from ₵ 120 to ₵ 360 per load. The minimum wage was also tripled, from ₵ 4.00 to ₵ 12.00 per day. Since no contingencies had been made to cover the new payments, the result was a record deficit, aggravated by poor financial controls. Against a total planned deficit of ₵ 4500 million for all of the fiscal year 1981/82, an actual deficit in excess of ₵ 3000 million had already been incurred by December 1981. On the basis of prevailing trends, a total actual deficit of some ₵ 8000 million was likely to have been incurred by the end of the fiscal year. This did not include an additional deficit of ₵ 2,000 million on the account of the Cocoa Marketing Board as a result of the increase in cocoa price.

In its first year in office, the government of the Provisional National Defence Council (PNDC), which came to power after the coup of 31st December 1981, concentrated on the stabilisation and improvement of government finances. The total budgetary deficit, (calculated on the basis of calendar year) (5) was reduced by 27.4 % in 1982 over 1981. The remaining deficit was financed mainly by drawing on non-inflationary sources, with the central bank contributing only 17 % of the total financing. The rate of increase in the money supply was slowed to 23.5 % as opposed to 63.5 % in 1981. The bulk of the reduction in the rate of increase of the money supply was accounted for by the withdrawal of ₵ 50 notes early in 1982 and their conversion to forced loans to the state redeemable over 5 to 10 years; in addition, overall liquidity was reduced by freezing bank balances in excess of ₵ 50,000 pending the vetting of their owners by citizens committees. Total revenue rose by 19.8 %, but tax collection improved significantly among the self-employed (the biggest source of tax evasion) with this sector contributing ₵ 307.0 million as opposed to ₵ 127.9 million in 1981 and ₵ 52.2 million in 1980.

The developments in the financial sector in the previous decade demonstrated clearly the urgency of financial reform. Nevertheless improved financial management did not obscure the fact that until the end of 1982 the PNDC did not have a comprehensive economic policy. In May 1982 the PNDC initiated a 'national democratic revolution' the objectives of which were anti-imperialist struggle and the struggle for democracy on the basis of a broad progressive front. Ghana was formally recognised to be a 'neo-colony'. But this was not immediately followed by a programme of economic reconstruction. During 1982 export and domestic production continued to decline, accompanied by strong upward movements in prices. Although the economic situation remained grim, unlike previous regimes that had attempted adjustment policies in Ghana, the PNDC possessed a genuinely popular, working class base, particularly in the defence committees (PDCs and WDCs) and among radical working elements in Accra and Tema. The December 31 coup unlocked mass enthusiasm and spontaneity

to an extent not seen since the early stages of the anti-colonial struggles. This mass enthusiasm, the decisive element in December 31 st, was evident everywhere in spontaneous participation in tasks of reconstruction: towns and villages organised self-help projects, students abandoned classes to bring in the cocoa crop, artisans and mechanics mobilized to salvage broken-down and abandoned machinery, workers took over factories and in some cases successfully tackled production bottlenecks which their managers had declared insoluble. Workers and other popular forces, supported by patriotic soldiers and policemen, attacked 'kalabule' (profiteering), bureaucratic corruption and all forms of mismanagement. Central to the workers' struggle was the issue of the democratisation of the workplace. However in spite of this progressive and democratic element the PNDC embraced heterogeneous social and ideological tendencies, and this fact was present in all the organs of the regime.

The PNDC's Programme for Reconstruction and Development, introduced in December 1982, was the first statement of the economic recovery programme of the government. In this, 1983 was designated as a period of preparation for launching a three-year recovery programme (1981-84) which would lay the foundations for a «self-reliant and integrated national economy». In this first year there was to be a restructuring of the basic institutions of the economy – in the areas of import-export trade, internal distribution, tax and budgetary reform, banking and insurance etc. – and the establishment of a «sound macro-economic framework» which would cover fiscal and monetary policy, prices and incomes, with the objective of rationalising production incentives. A state monopoly was to be instituted in the import – export trade and internal distribution of essential commodities was to be taken over by «Peoples Shops» under the control of the PDCs. These measures were meant to eradicate the trading malpractices associated with the foreign firms and comprador elements. The state share in Barclays Bank and Standard Bank was raised from 40% to 80% and foreign controlled banks were restricted to specialised banking. «Rigorous adherence to financial discipline» was required to deal with problems of stagnation and inflation, income mal-distribution, and the foreign exchange crisis: the overvaluation of the cedi would have to be tackled and a principle of 'repricing' introduced through a system of bonuses and surcharges on exports and imports. However the recovery programme was not intended to be monetarist. What was required for recovery was «proper complementarity between the restructuring of production relations and sound financial management».

Although there was no mention of the IMF in this statement, in fact negotiations with the Fund had commenced (in secret) in August 1982, unknown even to officials high in the government. This was before there had been any serious debate over the options open to the PNDC. However at least three major options had been advocated within the PNDC or by the groups around it. Crudely put, these were (a) an anti-imperialist policy of «self-reliance» based on popular mobilisation and supported by assistance from the Eastern countries, particularly the Soviet Union; (b) the possibility of some form of adjustment policy, including devaluation, supported by foreign credits, but under domestic management and not involving the IMF; and (c) an agreement with the Fund, as the only way of dealing with the critical constraints posed by the state of the external balances and the severe foreign exchange gap. Although this was the view of

the economic bureaucracy, it was shared by some on the left who for entirely different reasons considered necessary tactical compromises with imperialism in the existing phase as a means of consolidating the revolution. In the view of some of these elements an agreement with the IMF was the tactical equivalent of the NEP. However, it is important to state that even those who advocated agreement with the Fund (and this included the bureaucracy) were opposed to the conventional terms of Fund conditionality, which were criticised as 'unreasonable' or doctrinaire' and (given past experience) unlikely to succeed. For obvious reasons the left as a whole and the working class organisations (and no doubt the mass of the population as well) were firmly opposed to any agreement with the IMF and campaigned strongly against it. The views of the pro-IMF groups prevailed partly because aid failed to materialise from the East or any source other than Libya, and because the left, which was small and lacked any mass base, was unable immediately to articulate an alternative short-term economic strategy. However neither within the government nor among the mass of the population was there any democratic debate regarding the options open to Ghana, or regarding in particular the nature of the agreement with the IMF and its relevance to or likely consequences for the popular struggle.

THE ECONOMIC RECOVERY PROGRAM OF THE PNDC

The adjustment programme negotiated with the IMF was presented in the budget in April 1983. The most important aspects of the budget were (a) the introduction of a system of surcharges and bonuses (6) which imposed surcharges ranging from 750% – 990% on the face value of imports and conferred bonuses of the same magnitudes on the face value of exports. This in effect established a dual exchange rate for the cedi and represented a massive devaluation of the cedi by 7.5 and 9.9 times (i.e. \$ 1.00 = ₵23.00 and \$ 1.00 = ₵ 30.00 respectively) (b) an increase in the basic wage from ₵ 12.00 to ₵ 21.19 a day (c) increase in the cocoa producer price from ₵ 360 to ₵ 600 per load of 30 kg, (d) increases of 100 % in the price of petrol, up to 1500 % in medical care charges, and up to 400 % in the prices of meat and some basic commodities. The system of bonuses and surcharges was intended primarily to solve the liquidity problems posed to exporters by the overvaluation of the cedi while the principle of repricing was intended to close the gap between official and free market prices and transfer windfall profits from 'kalabule' traders and users of foreign exchange to the state to support the recovery programme. The revenue and expenditure provisions of the budget reflected this. Total receipts on current account were expected to rise from ₵ 5,253 million in 1982 – 1983 to ₵ 18,168 million with ₵ 11,182 million of this coming from surcharges and other taxes on international trade (up from ₵ 789.4 million in 1982). Current expenditure on the other hand was expected to amount to ₵ 15,358 million, leaving a current account surplus of about ₵ 2,810 million. However in spite of these measures a 'monetarist' approach was denied in the budget, on the grounds that «a purely monetarist solution to the problem [was] not satisfactory to a Government committed to the improvement in the welfare of [the] people» (April 1983 budget, p. 8). Unlike previous adjustment

programmes, particular emphasis was placed on production. The objective of the adjustment was seen in terms of the «systematic elimination of the critical supply bottlenecks, to increase productivity and production, together with responsible management of government finances aimed at eliminating the severe imbalances that lead to heavy deficit financing and the debasement of [the] currency» (p. 5). The centrepiece of the strategy to increase productivity was the «mobilisation of all groups of people including professionals, students, workers and farmers».

The 1983 budget represented a one-year economic stabilisation programme, to be followed by a three-year recovery plan covering the period 1984/86. The key to the recovery plan is an Export Rehabilitation Project covering the cocoa, timber, and mining sectors. This includes World Bank – assisted projects to (a) rehabilitate two state-owned and 17 private sector timber firms, (b) rehabilitate the Tarkwa and Prestea gold mines, as well as (c) the on-going cocoa replanting projects in Ashanti and the Eastern Region. In the gold mining sector the IFC is involved in a proposed \$ 120 million rehabilitation of the Ashanti Goldfields Corporation, and there is a plan for an international consortium to manage the state Gold Mining Corporation for three years. Under the rehabilitation projects cocoa exports are anticipated to rise from 210,000 metric tons in 1983/84 to 300,000 tons in 1985/86, the capacity utilisation of the timber sector is expected to rise from 20 % in 1983 to 60 % in 1985 and 80 % in 1986 and export earnings to double within that period, and production is expected to increase by 125 % for the state gold mines and 30 % for the Ashanti Goldfields Corporation between 1984 and 1986. The recovery plan also hopes to attract foreign investment into petroleum exploration and production, mining and mineral processing, and a number of other industrial sectors. Under the rehabilitation plans for domestic industry, average capacity utilisation in the manufacturing sector is expected to rise from 30 % in 1983 to 50 % in 1984 and 75 % in 1986. Finally the transport sector is to be revived, particularly through assistance from the World Bank Rehabilitation Import Credit. The external financing requirements for the economic recovery programme are estimated as follows: 1983 – C 651 million ; 1984 – \$ 534 million ; 1985 – \$ 452 million ; 1986 – C 408 million ; 1990 – \$ 247 million.

The recovery programme ran into serious reverses during 1983, largely due to factors (such as the severe drought, shortfalls in electricity production from low water levels in the Volta, and the resettlement of a million refugees from Nigeria) beyond the control of the PNDC. The system of bonuses and surcharges did not work so well in practice. The high import surcharges caused severe liquidity problems for importers and manufacturers who were unable to collect their imports. The system also proved cumbersome to administer. Because of this, the revenue expectations from import activity could not be realised. Increases in the minimum wage and in the costs of goods and services led to large increases in government expenditure and compounded the liquidity problems of businesses. Later in the year the budget estimates had to be scaled down to reflect these developments. After the imposition of the surcharges, the monthly rate of inflation, which had stood at 32.5 % in January 1983, rose to 174 %

in June before retreating marginally. The money supply rose rapidly from C 13,787.9 million in May to C 17,117.8 Million in September; the rate of expansion in September was the highest monthly rate in six years. In October 1983 the system of bonuses and surcharges was abandoned and the cedi was officially devalued from U.S. \$ 1 = C 2.75 to US \$ = C 30.00. Since then there have been progressive adjustments in the external rate of the cedi, the latest (Nov. 1984) bringing the cedi down to a rate of \$ 1 = C 50.00. Wages and prices have been adjusted upwards accordingly, the latest exercise doubling the basic wage from C 35.00 to C 70.00 a day.

Although it is too early to make a definitive assessment of the PNDC recovery programme, clearly within the assumptions of the programme itself there have been some noteworthy achievements. This is particularly the case with the management of public finances and recently food production. The programme has been praised lavishly by the World Bank and the OECD countries; there has been talk of an «economic miracle», and Ghana has been proposed as an «example» to the rest of Africa. The programme has been particularly successful in attracting financing from the multilateral institutions and the OECD countries. The amounts sought by Ghana for 1984 and 1985 (C 156 million and \$ 248 million respectively) were fully pledged at the Donors Conferences hosted by the World Bank in November 1983 and 1984. Among the credits extended or committed in 1983 were a Fund standby credit of \$ 240 million and a compensatory financing facility of \$ 125 million ; an IDA credit of \$ 40 million for emergency imports for transportation and agriculture and \$ 30 million covering similar imports from the African Development Bank ; and a \$ 100 million short-term loan from Standard Chartered Bank for vital imports.

But as foreign capital has become central to the 'recovery' strategy of the PNDC, so less and less has been heard of «the people» and of «mass mobilisation». The promise to «mobilise all patriotic forces» has never become a serious reality. The severity of the 1983 budget came as a rude shock to both the supporters and critics of the PNDC. Although in the crisis precipitated by the budget the militant worker organisations rallied to save the PNDC from its reactionary opponents, the budget effectively alienated the working class base of the regime. The budget was also introduced when radical workers and the left were increasingly questioning the ability of the PNDC to carry through the national democratic struggle. It is clear that the first victim of the IMF/PNDC recovery programme is the workers' struggle to democratise the factory floor. Workers are confronted with a choice between industrial 'order' and 'productivity' on the one hand (7) and the transformation of production relations on the other. The defence committees have been repeatedly attacked for «totally destroying the productive base of the country» (this in a circular issued by Christian COUNCIL of Ghana), a point of view echoed by elements in the PNDC, the bureaucracy, and the embassies of the donor countries. The structures of managerial control upset by the WDCs after December 31st have been restored; the Interim Management Committees (IMCS) by which workers took over or participated in management have been dissolved and replaced

by joint Consultative Councils (JCCS) whose role is to advise management. The defence committees themselves have recently been 'restructured'. The key question is whether 'recovery', when it arrives, will be for the people or for capital, and therefore whether Ghana's current recovery programme constitutes a first phase in a national democratic revolution, or merely — as always in the 'adjustment' programmes of the Fund — another attempt to reorganise the social conditions of production in order to restore the rate of profit.

NOTES

1. For an extended critique of the 1966–68 stabilisation programme, see my manuscript, «Imperialism and Militarism in Ghana 1966–1971», Faculty of Social Sciences, University of Port-Harcourt, May 1983.
2. For instance in the large-scale manufacturing sector the share of labour in total value — added fell from 30.4 % in 1962 to 20.6 % in 1970, with most of the fall concentrated in 1966–68 period. Commenting on this development, a World Bank study on the manufacturing sector commented: «The Industrial worker did not benefit from the growth of productivity that took place during this period... Recipients of non-wage incomes (i.e. capital) have gained most from the industrial expansion that has occurred».
3. For some projections on manufacturing costs see Naseem Ahmad, «From Liberation to Redemption: Economic Policy Between the Coups», *Universitas* 1975.
4. A possible reason for the suspension of Fund resources in 1980 was the failure of the Ghana Government to uphold the monetary targets of the programme.
5. There are conflicting statistics on budgetary performance in 1982. These figures are drawn from the 1983 Budget Statement and refer to the 1982 calendar year. For a different set of figures relating to the revised budget for the 1981/82 fiscal year, see *The PNDC's Programme for Reconstruction and Development*. p. 3–4.
6. This was introduced at the insistence of Ghana's negotiators with the Fund as an alternative to across — the board devaluation, a word which arouses strong political passions in Ghana. Although import surcharges and export bonuses had existed previously within the system, this was the first time that they had constituted central elements of financial policy. Other key issues that arose in the negotiation of the adjustment programme with the Fund were the opposition of the Ghanaian negotiators to a policy of retrenchment (as opposed to redeployment) and their emphasis on problem of production as opposed to exclusive emphasis on monetary reform. The 'concessions', thus won in the negotiations and much celebrated in sections of the official media may have lulled expectations as to the severity of the adjustment measures.
7. Symbolically, the National Mobilization Committee is headed by a military Officer.

RESUME

Les différentes interventions du FMI au Ghana représentent des occasions suffisamment importantes pour évaluer l'efficacité des programmes du FMI pour la reprise des économies africaines dans le cadre de la crise globale. Différents programmes du FMI ont été appliqués en 1966-68, 1971-72 et 1978-79. Un autre programme est actuellement en cours d'exécution depuis 1983. Le problème fondamental qui se pose pour l'application de tous ces programmes est leur degré de compatibilité avec une participation populaire aux tâches de reconstruction et de développement ainsi qu'avec la démocratisation des activités politiques et sur les lieux de travail. Dans cet article, l'auteur passe en revue les points saillants des expériences du Ghana à des fins de discussions plus détaillées.

Parlant du programme d'ajustement des années 60 (1966-1971) l'auteur, après avoir exposé les traits qui caractérisaient la crise économique du Ghana à cette époque et résumé les principaux instruments de stabilisation préconisés par le FMI, souligne que l'échec de ce programme est en grande partie dû au fait qu'il n'a pas tenu compte du problème de l'environnement international et des structures de dépendance qui constituaient à son avis les véritables fondements de cette crise — Ainsi, parce que les problèmes structurels ont été ignorés et que la priorité a été donnée aux instruments monétaires, le programme d'ajustement n'a pas pu connaître de succès.

Avec la période 1975-81 qui a suivi le coup d'état de 1972, il y eut des tentatives intéressantes de réajustement à la récession globale et de politique d'auto-suffisance, sans recours au FMI. Un certain nombre de mesures furent prises mais elles n'étaient pas suffisamment orientées vers une politique hardie d'auto-suffisance. C'est ainsi que dès 1975, l'économie du Ghana commença à se détériorer à nouveau dans tous les secteurs. Il y eut notamment une baisse dans la production locale et d'exportation, des déficits de la balance des paiements et une absence de contrôle des déficits budgétaires et de l'expansion monétaire.

Avec l'arrivée au pouvoir en Décembre 1981 du PNDC, le programme d'ajustement porta plutôt sur la stabilisation et l'amélioration des finances publiques. Ce programme fut complété en 1982 par un Programme pour la Reconstruction et le Développement qui faisait de 1983, l'année de départ du programme triennal devant jeter les bases d'une économie nationale intégrée et auto-suffisante. Cependant, ce programme s'intéressait moins aux aspects monétaristes de la stabilisation qu'à une complémentarité correcte entre la restructuration des rapports de production et une gestion financière saine.

En conclusion, l'auteur pose la question de savoir si la reprise économique arrivait à être concrétisée le serait-elle pour le compte de la masse ou du capital ? En d'autres termes, l'actuel programme de reprise économique, constitue-t-il une première phase dans une révolution nationale démocratique ou une autre tentative de réorganiser les conditions sociales de production dans le but de ramener le taux de profit ?

GHANA'S STABILIZATION MEASURES AND THE IMF A CASE STUDY

By

Bank of Ghana

INTRODUCTION

A number of developing countries, particularly in Africa, have at one time or another been faced with the problems of persistent balance of payments deficits and high rates of inflation. In most cases these problems have been caused by excessive monetary expansion arising largely out of huge budget deficits financed mainly by the banking system, notably the Central Bank. In their attempts to solve these problems many of these developing countries have adopted stabilization programmes, usually with the support of the International Monetary Fund (IMF).

A stabilization programme, as rightly defined by KHAN and KNIGHT, is «...a package of policies designed to eliminate disequilibrium between aggregate demand and supply in the economy, which typically manifests itself in balance of payments deficits and rising prices»*. The main objectives of a stabilization programme are therefore to reduce a country's inflation rate and improve its external payments position.

The Fund's support for a country's stabilization programme is usually in the form of a Stand-by Arrangement, which is a line of credit permitting a member country to draw funds made available by the Fund up to a stated amount during a given period, subject to the observance of performance criteria and other conditions under the arrangement.

Since the early 1960s, Ghana's economy has been plagued by high inflation rates, rapid depreciation of her currency and persistent balance of payments deficits. Successive governments have over the years introduced various measures aimed at solving these economic problems. These measures included stabilization programmes drawn up under the aegis of the IMF during the years 1966–1969, 1978–1979 and 1983 to date to deal with the difficulties that confronted Ghana's economy. This paper analyses the general economic conditions prevailing before each programme, outlines the package of measures taken and evaluates the measures. The paper then concludes by highlighting the lessons to be learnt from Ghana's experience.

THE 1966–69 STABILIZATION PROGRAMME

THE ECONOMIC BACKGROUND

Ghana's economy in early 1966 was characterised by growing budget deficits, high rates of inflation, declining industrial production and dwindling foreign exchange reserves. The over-zealousness of the NKRUMAH regime to industrialise and the consequent unrestrained investments in extensive social infrastructure and in projects which turned out to be

* Moshin S. KHAN and Malcolm D. KNIGHT: *Stabilization Programmes in Developing Countries – A formal framework. IMF Staff Papers, Vol. 28., No. 1, March 1981.*

non-viable, coupled with low revenue outturn, resulted in increasing budget deficits. These deficits were financed largely by the banking system, particularly the Central Bank. The resultant monetary expansion, in the face of supply shortages, gave rise to severe inflationary pressures. In 1965, for instance, the rate of inflation was estimated at 24.9%.

In the agricultural sector, production of cocoa, Ghana's main foreign exchange earning commodity, increased by 35.6% from 422,000 tons in the 1963/64 crop year to 572,000 tons in the 1964/65 crop year, but declined by 28.3% to 410,000 tons in the 1965/66 crop year. However, the country could not derive much benefit from the overall increased output as the world market price of cocoa fell. For example, the world spot price of Ghana cocoa fell from a high of £ 239 per ton in 1963 to £ 215 per ton in 1964 and to £ 192 per ton in 1965, a fall of 19.7% between 1963 and 1965.

Industrial production was also not favourable. Owing to foreign exchange constraints, industries were constantly short of imported raw materials. Production in the mining sector declined. Gold production was down to 6.5 and 12.7% in 1964 and 1965 respectively, while diamond production fell by 14.8% in 1965 after remaining almost constant in the previous year.

Developments in the external sector adversely affected the country's foreign exchange reserves. The massive imports of capital goods for the industrial projects, let alone the high prices of these imports, drained the country's reserves and left in their wake a huge external debt. Ghana's total external debt stood at \$ 3.3 billion at the end of 1965, while her foreign exchange reserves dwindled from a surplus of \$ 61.9 million in 1963 to a surplus of \$ 44.1 million in 1964 and then to a deficit of \$ 3.1 million in 1965. All these posed serious balance of payments problems.

Faced with such a precarious economic and financial situation, the new military government, which replaced the NKRUMAH regime in February 1966, lost no time in taking remedial measures to salvage the depressed economy. The government's economic strategy was to pursue a stabilization policy, in support of which it concluded with the IMF four successive one-year Stand-by Arrangements for a total amount of US \$ 76.9 million as detailed below:

Table I

Date of Stand-by Arrangement	(in millions of US Dollars)	
	Amount	Drawn
1966	34.9	34.9
1967	25.0	25.0
1968	12.0	12.0
1969	5.0	3.0
	76.9	74.9

In addition, Ghana made a drawing of \$ 17.25 million in December 1966 under the Compensatory Financing Facility.

The principal objectives of the Stabilization Programme were:

- (a) to reduce the rate of monetary expansion stemming largely from budget deficits;
- (b) to achieve a substantial reduction in the rate of inflation;
- (c) to stimulate the external sector of the economy and improve the balance of payments position;
- (d) to correct price distortions, and
- (e) to stimulate economic growth.

PACKAGE OF MEASURES

The objectives mentioned above were to be achieved mainly through measures which were broadly in line with the IMF «Conditionality», including a restrictive monetary and credit policy, a prudent fiscal policy, relief from the heavy burden of external debt servicing and an adjustment of the exchange rate to a realistic level.

Monetary and credit policy was directed at limiting credit expansion to a level consistent with economic stability. To this end, ceilings were set on Bank of Ghana's net credit to government and on credit by the banking system to public institutions and the private sector, except credit to finance cocoa exports which varies seasonally with the size of the crop, and was therefore considered a self-liquidating item.

Fiscal policy was aimed at reducing government reliance on the banking system, particularly the central bank, for financing budget deficits by ensuring that expenditures were limited to amounts that could be matched by revenues from internal and external sources. In line with this aim, work on some non-priority projects was stopped and the 7-year Development Plan initiated in 1964 was abandoned. State enterprises were reorganised with the technical assistance of the United Nations Development Programme in order to improve their efficiency and thereby discontinue their dependence on government subventions.

Considerable progress was also made in the liberalization of trade and payments. For instance, the category of imports placed under Open General Licence (i.e. imports without restrictions) was extended appreciably, while progress was made in the reduction of arrears of current external payments. Reliance on bilateral trade and payments agreements was substantially reduced.

To stimulate domestic production and exports and restrain imports, particularly of consumer goods, the exchange rate was adjusted in July 1967 from $\text{C} 1.00 = \text{US } \$ 1.40$ to $\text{C} 1.00 = \text{US } \$ 0.98$, representing a devaluation of 30 %. As an incentive to increased cocoa production and in order to reduce the high level of smuggling of cocoa beans to neighbouring countries, the producer price of cocoa was raised in July 1967 from $\text{C} 186.7$ per ton to $\text{C} 242.7$ per ton and again to $\text{C} 261.3$ per ton in July 1968.

In order to reduce the burden of debt servicing on the balance of payments, the contraction of medium-term loans (suppliers' credits) was suspended, although long-term concessional loans could be contracted.

Furthermore, the government with the assistance of the IMF twice successfully negotiated with major creditors the rescheduling of a substantial part of medium-term external debt obligations falling due in the period 1966–1972. The rescheduling arrangements were agreed to in December 1966 and October 1968 at meetings held in London. The IMF was represented at both meetings. Efforts were also made by the government to seek external financial assistance through Donors' Meetings held in Paris in 1967, 1968 and 1969.

To cut down on foreign exchange expenditure, the number of Ghana's Diplomatic Missions abroad was reduced.

EVALUATION OF GHANA'S PERFORMANCE

As table I above shows, Ghana was able to make sizeable drawings under the Stand-by Arrangements, indicating the extent to which the country met the performance criteria. Net credit to government and credit to the private sector and commercial banks always remained below the ceiling during the period of the arrangement. Apart from June 1966, total commercial bank credit was also below the set ceiling (see Appendix I).

Money supply increased slightly in 1966, stabilized in 1967 but resumed growth in 1968 and increased by 12.9 % during 1969. The monetary expansion in 1969 was due to an increase in credit to the private sector which rose by 37.6 % from C 66.5 million in December 1968 to C 91.5 million in the same month of 1969.

Although the government was committed to liberalizing trade and exchange controls, the shortage of foreign exchange made this a long-term objective. In the interim, some changes were made in the administration and allocation of import licences. More goods, including spare parts and pharmaceuticals, were placed on Open General Licence, and therefore did not require the formal issue of licences by the Ministry of Trade. Ghana also reduced considerably its trade under bilateral payments arrangements and in fact terminated some of these arrangements. No new bilateral trade agreements were signed during the stabilization period.

The country performed creditably with respect to the performance criteria of the Stand-by Arrangements, and the economy's response to the Stabilization measures was fairly significant. The GDP in real terms increased from C 1113 million in 1965 to C 1190 million in 1969, an increase of 6.8 % over the four-year period. The growth rate of the GDP was 1.8 % in 1967 and 1.4 % in 1968.

The performance in the external sector was, however, mixed. The impact of the devaluation of the cedi in mid-1967 was felt mainly in the timber industry where an increased volume of exports was recorded. Exports of the other major commodities – cocoa and minerals – fell, due to some factors.

Production in the mining industry declined because of inadequate supply of spare parts, use of obsolete machinery and poor management. Thus gold exports which totalled 762,000 fine ounces in 1967 fell to 713,000 fine ounces in 1969.

The volume of cocoa production also fell, due to shortages of insecticides and spare parts for spraying machines in 1966 and heavy rains and floods in the latter part of 1968. Exports of the crop fell steadily from 392,000 tons in 1966 to 303,000 tons in 1969.

Despite these declines, total export receipts increased during the period of the Stand-by Arrangement due mainly to increases in the world price of cocoa, particularly in 1968 and 1969. The average New York price of Ghana cocoa was US \$ 1,020 per ton in 1969 compared with US \$ 770 per ton in 1968.

On the whole, the country's balance of payments position improved significantly. Surpluses were recorded in the balance of visible trade in 1968 and 1969, while the current account deficit decreased from C 230 million in 1965 to C 87 million in 1967 and to C 55 million in 1969.

The general level of prices of local food items followed a downward trend in the period, especially in 1967 and 1969 due to improved supply of foodstuffs. The improvement in the supply situation was a direct result of the increased efforts at increasing agricultural output through agricultural extension services, use of high-yielding varieties of seeds, fertilizers and insecticides and construction of feeder roads. Indeed, this improvement in the food situation contributed to the fall in the rate of inflation to 13 % in 1966 and 8 % in both 1968 and 1969 as compared with 24.9 % in 1965.

THE 1978-79 STABILIZATION PROGRAMME

THE ECONOMIC BACKGROUND

In spite of a number of economic measures which had been taken from the mid-1966 through 1977 to put the economy on an even keel, by 1978, the overall economic and financial situation in Ghana had deteriorated significantly. Between 1969 and 1971, the BUSIA regime took some measures to liberalise and improve the economy. Among the measures was the devaluation of the cedi (local currency) in December 1971 to restore the external balance. However, before the full impact of the exchange rate adjustment could be felt, there was a change of government in January 1972.

The ACHEAMPONG government which replaced the BUSIA government reversed some of the policy measures adopted by its predecessors. For example, the cedi was revalued though not to its former level and trade and exchange controls were intensified. Although there was some initial improvement in the agricultural sector due to a widely publicised campaign to encourage self-sufficiency in food production, the state of the economy as a whole deteriorated. First, there was an upsurge in the market prices of goods and services. This was the result of a substantial decline in agricultural and industrial output and increasing liquidity. While the fall in agricultural output was due to poor harvests resulting from persistent bad weather, the fall in industrial production was due to the lack of imported inputs for manufacturing industries. The excess liquidity reflected a high level of budgetary deficits and the increased reliance on the banking system, particularly the central bank, to finance these deficits. Secondly, the reversal of the 1971 devaluation and the strict adherence to a fixed exchange rate left the country with an overvalued cedi which discouraged exports. Another major contributory factor was the phenomenal increase in the price of crude oil in 1973 and thereafter which affected the balance of payments adversely.

To resuscitate the sagging economy, ~~the~~ Government of Ghana decided to adopt a short-term comprehensive stabilization programme and made a request to the IMF, as was the case in 1966, for a balance of payments support in the form of one year Stand-by Arrangement for an amount equivalent to SDR 53 million. The objectives of the stabilization programme were similar to those under the previous stabilization programme, namely to reduce the injection of new liquidity springing from budget deficits, strengthen the balance of payments, reduce the high rate of inflation, invigorate the external sector and correct price distortions.

PACKAGE OF MEASURES

The measures taken to achieve the objectives were diverse, but were in line with the usual IMF conditionality.

First, the extent to which the government could depend on the banking system to finance its budget deficits, one of the main sources of inflation, was constrained by ceilings set on net credit to government. Ceilings were also set on credit to public and private institutions.

Secondly, the government was required to ease restrictions on payments or transfers for current international transactions, while at the same time making efforts to abolish three multiple exchange rate practices, namely, the export bonus scheme introduced in 1969, the import deposit requirements and the tax on foreign exchange for travel abroad. The government was also required to reduce the external payments arrears to within prescribed levels. In addition, the government was to adhere strictly to its imports programme and restrict the issue of import licences to an amount consistent with anticipated foreign exchange receipts. The extent to which Ghana could contract new external loans was also limited.

Another major policy measure related to the exchange rate was that the government had earlier in June 19, 1978 experimented with a flexible exchange rate system under which the exchange rate of the cedi against the U.S. dollar, originally pegged at C 1.15 to US \$ 1.00 fluctuated to reflect the underlying economic, financial and balance of payments situation. By end of August the same year, the exchange rate stood at C 2.75 to US \$ 1.00, showing a devaluation of 58.2 % compared to the rate in early June. The government's policy was to keep the exchange rate under constant review and to make further changes in the light of Ghana's economic standing and the relationship between the cedi and other major currencies.

Ghana drew the first tranche of SDR 32 million (US \$ 41.3 million) in February 1979. The country was, however, unable to make further drawings since the whole programme was disrupted by political events in June 1979.

EVALUATION OF GHANA'S PROGRAMME

This stabilization programme was operated for only a few months before it was aborted following political events in June 1979. It is thus difficult to evaluate properly the impact that the programme made on the economy. The indications, as discussed below, were that Ghana would have been unable to adhere to the set performance criteria.

Indeed, right from November 1978, the permissible ceiling on credit to the government was consistently exceeded. At the end of March 1979, the net domestic assets of the banking system totalled C 5,823 million, showing an excess of C 1,131 million over and above the ceiling. The increase was largely due to credit to government, which was not expected to increase more by than C 380 million but which actually increased by C 672 million to C 4,597 million at the end of March 1979.

Although substantial transfers in respect of profits and dividends were made, settlements of arrears of current imports and service payments could not be effected. Thus the net position of the short-term external payments arrears increased by \$ 29.98 million to \$ 456.39 million at the end of March 1979, far exceeding the allowable level of \$ 427.0 million.

Ghana did not contract any new external medium-term loans during the period, neither did she introduce any new restrictive measures on foreign exchange transfers. Also, no new bilateral payments agreements with Fund member countries were signed. However, the export bonus scheme was not abolished and there was no review of the tax on foreign exchange for travel abroad or on import deposit margins.

Broadly speaking, the performance of the economy during the few months that the programme was in operation was not altogether satisfactory. The government's continued recourse to the banking system to finance its budget deficits resulted in a consistently high rate of inflation. In fact, the high inflation rate of 71.1 % recorded in November 1978 rose further to 78.8 % in May 1979.

However, the overall balance of payments which had recorded deficits for the greater part of the 1970s registered a surplus of US \$ 125.7 million in the wake of the stabilization programme in 1979, and gross foreign exchange reserves increased from US \$ 280.5 million in 1978 to US \$ 293.0 million in 1979.

THE 1983 ECONOMIC RECOVERY PROGRAMME

THE ECONOMIC BACKGROUND

At the beginning of 1983 the Ghanaian economy was still characterised by declining real GDP, a high rate of inflation, a critical shortage of foreign exchange and a difficult balance of payments situation. The reasons for this poor performance of the economy could be traced to the maintenance of a fixed and highly overvalued exchange rate that discouraged exports, large budgetary deficits which aggravated the inflationary pressures and the imposition of price controls at the manufacturing level which discouraged production, while giving excessive or windfall profits to the unregulated small-scale trading sector. There were also exogeneous factors such as adverse weather conditions and natural disasters like bush fires which affected agricultural output, the sharp increases in the price of crude oil, the global recession that led to sluggish demand for primary products and the unanticipated return of about one million Ghanaians from Nigeria.

In a nutshell, in the past decade or so, real GDP growth has been about 2 % per annum; real export earnings have declined 52 % and exports have fallen from 21 % to 4 % of GDP; the petroleum imports bill has risen to about half of total export earnings and government revenues have been covering on the average only 35 % of total expenditures.

The overall balance of payments registered a surplus of US \$ 125.7 million in 1979 after a series of deficits during most of the 1970s. The surplus declined to US \$ 82 million in 1980, but in 1981 a large deficit of US \$ 263 million was incurred. In 1982 the overall balance of payments registered a modest surplus of US \$ 56 million. However, payments arrears increased further by US \$ 64 million to US \$ 576 million at the same time. Ghana's gross foreign exchange reserves amounted to US \$ 224.0 million at the end of 1982, equivalent to five months of 1982 imports. As at December 31, 1982, the external debt amounted to \$ 1.4 billion.

PACKAGE OF MEASURES

In an effort to rehabilitate the economy and attract external assistance, the government in April 1983 announced a package of economic reform measures and agreed on a short-term stabilization programme with the IMF. The government's Economic Recovery Programme which was launched in April 1983 is in three phases, each phase covering a period of one year, as follows:

- (a) a stabilization phase,
- (b) a rehabilitation phase, and
- (c) a liberalization and growth phase.

These phases should be considered complementary rather than separate segments of the programme. The main thrust of the stabilization phase is to stimulate aggregate domestic supply by realigning relative prices in favour of production and export sectors, reduce the government budget deficit and thereby the underlying inflation pressures. In the rehabilitation phase emphasis will be placed on improved capacity utilization of existing capital assets. This phase aims at rehabilitating the roads, railways and ports, and providing essential raw materials and imported inputs to the productive sectors, particularly the export sector. In the liberalization and growth phase, the economy will be liberalized by way of relaxing the present strict regime of trade and payments control, reducing the extent and coverage of domestic price controls, introducing competition to public sector monopolies and removing other rigidities, barriers and distortions in the economy.

In support of the government's adjustment efforts covering the stabilization phase of the Economic Recovery Programme, a one-year Stand-by Arrangement for SDR 238.5 million was approved by the Executive Board of the IMF on August 3, 1983. Further support was received from the IMF in the form of a Compensatory Financing Facility amounting to SDR 120.5 million. The programme included a reform of the exchange rate system, a review of the interest rate structure, a substantial increase in the cocoa producer price for the 1983/84 crop, a phased removal of the subsidy on petroleum products, a control of prices on domestically produced food items and a more flexible policy in setting prices of other essential items as well as increases in wages and salaries. Under the programme fiscal policy has been aimed at reducing the overall budget deficits. Credit and monetary policies have been directed toward channelling the allowable increase in credit mainly to the private sector and the commercial public

sector enterprises, while reducing considerably the rate of monetary expansion during the programme period. The balance of payments objective has also been geared to increasing imports necessary to support the economic recovery and to reducing external payments arrears.

To give effect to the foregoing objectives and targets, the government on April 21, 1983 introduced, as a transitional measure, a multiple exchange rate system which imposed surcharges on foreign exchange payments and bonuses on foreign exchange receipts and which effectively resulted in two effective exchange rates, namely $\text{C} 23.375 = \text{US } \$ 1.00$ and $\text{C} 29.975 = \text{US } \$ 1.00$. This implied a weighted average exchange rate of $\text{C} 25.00 = \text{US } \$ 1.00$, compared with the rate of $\text{C} 2.75 = \text{US } \$ 1.00$, which had remained fixed since mid-1978.

As already alluded to, the rationale behind the new measure was to promote exports, dampen the demand for imports and reduce price distortions.

On October 10, 1983 the two effective exchange rates arising from the system of bonuses and surcharges were unified, resulting in an exchange rate of $\text{C} 30.00 = \text{US } \$ 1.00$, implying a devaluation of 91 %. In fact, the current rate of exchange is $\text{C} 35.00 = \text{US } \$ 1.00$. The exchange rate is to be adjusted periodically in order to maintain its real purchasing power in terms of the currencies of Ghana's major trading partners.

To give incentives to cocoa farmers to increase output, the cocoa producer price was increased by 67 % to $\text{C} 20,000$ per ton on May 1, 1983 for the 1983/84 crop year (October 1983 – September 1984). The producer price will be adjusted annually to ensure that the prices in real terms are not eroded.

In line with its undertaking to review interest rates, the government through Bank of Ghana made a substantial adjustment in the structure of interest rates.

Furthermore, to phase out subsidies on petroleum products, there have been increases in the retail prices of petroleum products.

Wages and salaries were increased by about 60 % in the civil service and by about 25 % in the public sector enterprises and the private sector mainly to keep up morale following an increase of more than 100% in the cost of living in 1983.

EVALUATION OF GHANA'S PERFORMANCE

The Stand-by Arrangement ends on June 30, 1984. It is, therefore, premature to assess the country's economic performance vis-a-vis the current arrangement. The evaluation is made on the basis of Ghana's performance with respect to the set performance criteria and economic indicators during the period ended March 31, 1984.

With regard to budgetary developments, the government followed a cautious fiscal policy during the period under review. Lower import duties reflecting the lower-than-anticipated level of inputs have given rise to shortfalls in government revenue. To compensate for the shortfalls drastic cuts were made in programmed expenditures. The government was therefore able to reduce its reliance on the banking system for deficit financing to levels which were within the ceilings.

As regards monetary and credit developments, total net domestic assets of the banking system and net claims on the Government were kept within the ceilings. On October 10, 1983 all interest rates were raised by 35 to 40 % so as to make the rates less negative in real terms.

Phased reductions in external payment arrears totalling US \$ 100 million were to be achieved during the programme period. By the end of March, 1984 the net reduction in external payment arrears amounted to \$ 90.5 million as compared to the target of US \$ 80.0 million.

With respect to external loans, a ceiling of US \$ 400 million was imposed on new commitments with a maturity of 1–12 years, with a sub-ceiling of US \$ 250 million on new commitments with a maturity of 1–5 years. Bridging loans were limited to US \$ 100 million. During the first 7 months of 1983, external loans, exclusive of oil import credits, totalled US \$ 100 million and consisted entirely of concessional loans within the maturity range of 18–40 years. Also, since August 1983, outstanding bridging loans of US \$ 110 million have been reduced by 50 % to US \$ 55 million.

The foregoing evaluation shows that Ghana's performance under the performance criteria was very encouraging. As at the end of March 1984 all the performance criteria had been met and the country was able to make purchases of all the five equal instalments totalling SDR 238.5 million before the end of the Stand-by period.

Despite the satisfactory performance, however, the recovery of the economy was below expectation. The prolonged drought dealt a severe blow to food and export crops including cocoa. Industrial production registered a marginal increase because of the slow inflow of imported inputs. The drought also reduced hydro-electric power output with consequent cuts in power available for both domestic and industrial use.

The new exchange rates affected imports as importers were unable to raise the required local currency to acquire the foreign exchange. This tended to affect adversely both the supply situation and government revenue. Timber exports showed some improvement with the exchange rate adjustment despite the late arrival of imported inputs. The financial position of the Ghana Cocoa Board also improved, and this enabled the Board to pay export cocoa duty to the Government which it had never been able to do for over 3 years.

Although the recovery of the economy was slower than expected owing mainly to exogeneous factors, the Ghanaian Authorities are strongly committed to the recovery programme. Indeed, the success of the Economic Recovery Programme depends on sound economic policies as well as on international assistance. It is a hopeful sign that the Programme has been generally well received by individual governments, international bodies and private organizations and that there has been some inflow of foreign capital to support the adjustment efforts.

For instance, in July 1983 Ghana was given a quick disbursing Reconstruction Import Credit to US \$ 40.00 million by the International Development Association, an affiliate of the World Bank, for the importation of needed inputs for the agricultural and road transport sectors.

Also, at the Donors' Meeting held in Paris in November 1983, financial pledges were made by a number of developed countries and international bodies in support of the Economic Recovery Programme.

CONCLUSION

The foregoing shows that three attempts have been made so far by Ghana to stabilize the economy, in each case with the support of the IMF by way of Stand-by Arrangements.

Undoubtedly, the Stabilization Programme of 1966–69 improved the economic conditions in the country significantly: real GDP registered substantial growth during the stabilization period; the rate of inflation was reduced significantly and there was improvement in the balance of payments position.

The 1978–79 Stabilization Programme was still in its take off stage when it had to be abandoned because of political events in the country. Therefore, its impact on the economy cannot be properly assessed.

The current Economic Recovery Programme is still only a year old. The indications are that the performance criteria will be met, but that it will take some time for the impact of the economic measures so far taken to be felt on the economy.

Ghana without doubt could have achieved better results under the Stabilization Programmes of 1966–69 and 1978–79 but for the following factors:

- First, as is commonly the case with developing countries, the adjustment effort was unduly delayed until the economy was virtually on the brink of collapse. Indeed, instead of quick and effective economic measures with long-term perspective, the governments rather preferred short-term ad hoc measures like trade and price controls, exchange restrictions and multiple exchange rates.

- Secondly, a major set-back was the fact that the IMF's financial support was invariably inadequate in relation to the magnitude of the needed finance. The need to reduce the external payments burden, the insufficient export receipts, the liberalization effort and the generally poor state of the economy called for the injection of larger amounts of finance than could be provided by the IMF. Fortunately, the current Economic Recovery Programme recognises this fact, and the Government has therefore made a number of successful approaches to other international institutions such as the World Bank, the African Development Fund and donor countries for additional financial support.

- Thirdly, the need for political stability is very crucial. The 1978–1979 programme could not be successfully implemented mainly because of political events.

SUGGESTIONS

1. There is a need for careful and effective monitoring of IMF – supported stabilization programmes to ensure that the understandings reached with the Fund are adhered to. But the other major reason

- for the monitoring is to evaluate continuously the effects that the stabilization measures are having on the economy. Those found to be having adverse effects should be immediately reviewed.
2. The delays in implementing or even in adopting stabilization programmes should be avoided. Long delays tend to do greater harm to the economy, calling for more stringent and more painful measures later. This again underscores the usefulness of constant appraisal of the developments in the country's economy.
 3. Countries implementing Stabilization Programmes should not depend solely on the IMF for financial support. Other international institutions should be approached. Where possible, debts should be rescheduled in order to lessen the burden of debt servicing.
 4. There is the need for political stability to ensure that each Stabilization Programme is carried out to the end and also to engender international confidence in the economy, thereby facilitating the inflow of private capital to support the programme.

APPENDIX I

Ghana: Bank Credit in Relation to Stand-by Ceilings (Excluding Cocoa Financing)

¢ Million

End of period Figures	Bank of Ghana Credit to		Total Commercial Bank Credit
	Government	Private Sector & Commercial Banks	
1966			
Ceiling	(124.2)	(11.1)	(166.7)
June	118.8	7.1	172.5
Ceiling	(133.3)	(11.1)	(179.2)
December	103.5	6.4	167.9
1967			
Ceiling	(145.0)	(10.0)	(185.0)
June	103.1	5.8	183.9
December	138.2	5.8	168.9
1968			
Ceiling	(128.0)	(13.0)	(no ceiling)
June	113.2	7.2	
December	127.8	6.1	
1969			
Ceiling	(150.0)	(15.0)	
June	120.2	5.8	
December	133.2	4.6	

RESUME

Depuis le début des années 60, l'économie du Ghana a été continuellement confrontée aux problèmes de taux d'inflation élevé, d'une dépréciation rapide de sa monnaie ainsi que de déficits permanents de sa balance des paiements. Les différents gouvernements qui se sont succédés au pouvoir ont tour à tour appliqué des mesures destinées à résoudre les problèmes économiques. Ces mesures comprenaient des programmes de stabilisation mis en place par le FMI au cours des années 1966-1969, 1978-1979, et depuis 1983. Dans cet article, l'auteur après avoir dressé un tableau des conditions économiques qui prévalaient avant l'application de ces différents programmes, présente et évalue les différentes mesures «empaquetées» puis, en conclusion, tire les leçons d'une telle expérience.

La période 1966-1969 était, selon l'auteur, caractérisée par une situation économique et financière précaire. D'une manière générale l'économie souffrait de déficits budgétaires croissants, de très forts taux d'inflation, d'une production industrielle décroissante ainsi que des réserves de devises qui diminuaient. La situation agricole n'était pas bonne non plus avec une production qui a baissé de 28,3 % en 1965-1966. L'industrie connaissait aussi les mêmes problèmes de même que le secteur des relations extérieures. Face à cette situation, le régime militaire qui s'empara du pouvoir en Février 1966 prit un train de mesures en accord avec le FMI pour sauver l'économie qui était au bord de la faillite. Ces mesures concernaient essentiellement la limitation des crédits, la diminution du rôle de la Banque Centrale dans le financement des déficits budgétaires, la libéralisation du commerce et des paiements, le réajustement du taux de change, la suppression des prêts à moyens termes et la diminution des missions diplomatiques du Ghana. Il résulta de ces mesures une amélioration sensible des conditions économiques du pays notamment une hausse du PIB, une réduction du taux d'inflation ainsi qu'une nette amélioration de la balance des paiements.

Malgré toutes ces mesures prises en 1966-1969, la situation économique et financière globale du Ghana se détériora à nouveau en 1978-1979. Une seconde intervention du FMI eut lieu toujours dans les mêmes conditions. La performance de l'économie au cours de cette période ne fut pas très bonne malgré une légère amélioration de la balance des paiements. Cependant, par suite d'évènements politiques, ce réajustement ne fut pas mené jusqu'au bout. Au début de 1983, le même scénario recommença : baisse du PIB, taux d'inflation élevé, un manque généralisé de devises et une balance des paiements en difficultés ; intervention du FMI comme à l'accoutumée avec les mêmes mesures. Il est encore trop tôt pour mesurer l'impact des mesures sur l'économie. Néanmoins, les signes actuels autorisent à penser que les critères de performances seront atteints. L'auteur termine son article, en faisant quelques suggestions susceptibles de garantir plus de réussite aux programmes de réajustement.

LES MESURES DE REAJUSTEMENT DE L'ECONOMIE IVOIRIENNE FACE A LA CRISE ECONOMIQUE MONDIALE: LEURS RESULTATS ET LEURS IMPLICATIONS SOCIALES*

Par

*Bamba MOUSSA***

INTRODUCTION

La Communauté Internationale dans son ensemble, que l'on soit du «Nord» ou du «Sud», est largement concernée et éprouvée à l'heure actuelle par un phénomène : celui de l'endettement croissant des pays du Tiers-Monde qui aboutit parfois à leur insolvabilité totale. Il a pris une ampleur telle qu'il domine (avec l'ascension vertigineuse du cours du dollar américain) l'actualité économique et financière, et compromet sérieusement les efforts de développement économique et social des jeunes Etats. Le fameux «service de la dette extérieure» se porte bien, puisque se nourrissant d'une part de plus en plus importante des recettes de l'Etat, et en particulier des recettes d'exportation, ce qui oblige les pays, déjà lourdement endettés, à contracter, toujours plus, de nouveaux emprunts. Et la spirale infernale continue.

De ce fait, certaines expressions comme «rééchelonnement de la dette» ou «renégociation des engagements» connaissent leur heure de gloire.

Pour conjurer le mauvais sort qui frappe les pays en voie de développement, certaines institutions internationales, singulièrement le Fonds Monétaire International et la Banque Mondiale, proposent ou imposent, (selon l'état et la situation du «patient»), leur «recette». Celle-ci s'appelle indifféremment programme de relance, de redressement, d'assainissement, de stabilisation, d'ajustement structurel, etc.. Peu importe d'ailleurs le nom de ces potions magiques. Ce qui est incontestable, c'est que ces programmes «made in IMF» constituent toujours des pilules très amères pour les populations, et cela d'autant plus que les résultats escomptés tardent à venir. Leur signification réelle est l'austérité, qui se résume dans cet impératif laconique: «Réduisez tout !», c'est-à-dire les importations de biens et services, le budget de fonctionnement de l'Etat, les investissements, l'emploi, la production, les salaires, etc... Un autre impératif accompagne le précédent : «Pratiquez coûte que coûte la vérité des prix!», ce qui se traduit par le refus systématique de toute subvention, même à des produits dits stratégiques, c'est-à-dire ceux dont la consommation est essentielle pour les populations.

La Côte d'Ivoire étant un pays particulièrement touché par ce problème, il convient d'analyser sa situation économique et de se pencher sur les remèdes pour l'assainissement de ses finances proposés par le FMI et la Banque Mondiale.

* *Communication à la Conférence Internationale organisée conjointement par le CODESRIA et le CSER de l'Université Ahmadu Bello sur le thème : «Réajustement des économies africaines face à la crise économique mondiale, 11-16 Mars 1985, Zaria (Nigéria).*

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Ainsi, après une longue période de forte croissance économique au cours de laquelle on a observé un équilibre général des Finances Publiques, la Côte d'Ivoire a traversé, de 1976 à 1978, trois années de «surchauffe» économique en raison notamment du cours particulièrement favorable des deux principaux produits d'exportation, le café et le cacao. C'est dans ce contexte financier quelque peu euphorique que la Côte d'Ivoire a engagé un impressionnant programme d'investissement public dont certaines composantes ont été insuffisamment évaluées.

La Côte d'Ivoire devait subir par la suite, de 1979 à 1982, l'une des plus terribles dégradations des termes de ses échanges extérieurs. La balance commerciale et la balance des paiements en ont été profondément affectées, c'est-à-dire déséquilibrées. Les recettes publiques, auxquelles le surplus antérieur de stabilisation apportait une contribution décisive, se sont considérablement amenuisées.

Cependant l'évolution défavorable des cours du café et du cacao n'a pas été le seul facteur négatif à peser sur les équilibres intérieurs et extérieurs du pays, même si son impact semble être le plus important. En 1980, le ralentissement économique général observé dans le monde capitaliste a engendré une stagnation du commerce international et un repli des cours des principaux produits de base. Mais la hausse conjuguée du dollar américain et des taux d'intérêt, qui a suivi cette crise, n'a fait qu'empirer la situation économique et financière des pays en voie de développement dont les importations de pétrole et une part grandissante de la dette publique sont justement payables en dollar américain.

C'est en raison de cette crise généralisée que les débouchés traditionnels de la Côte d'Ivoire, à savoir les marchés constitués par les pays de la CEAO et de la CEDEAO notamment, où elle écoulait une part importante de ses exportations industrielles, se sont sérieusement contractés, ajoutant ainsi aux difficultés rencontrées sur les marchés internationaux des produits de base.

Par ailleurs, les conditions financières qui prévalent sur le marché pétrolier, de même que les conditions d'exploitation assez délicates qui sont propres au pétrole ivoirien, n'ont pas permis de donner à la production pétrolière nationale le niveau escompté.

En somme, la Côte d'Ivoire connaît depuis quelques années de très sérieuses difficultés économiques et financières. La crise, la sécheresse persistante, l'endettement extérieur trop lourd : voilà les trois calamités qui se sont combinées pour aggraver, en 1983, le marasme que traverse la Côte d'Ivoire depuis l'effondrement catastrophique, trois ans plus tôt, des cours du café et du cacao, les deux principaux moteurs de la croissance économique ivoirienne. Cet effondrement drastique a d'ailleurs été le couronnement d'une détérioration continue amorcée juste après le boom de l'année 1976 - 1977. Par euphémisme et un peu par humour, les Ivoiriens ont baptisé cette situation « la conjoncture ».

C'est dans le but d'endiguer ces énormes difficultés que le gouvernement ivoirien a placé l'économie du pays sous une étroite surveillance, avec le concours du grand gendarme financier international qu'est le Fonds Monétaire International (F M I), et sa filiale, la Banque Mondiale. La coopération avec ces deux institutions a permis de lancer un programme d'aus-

térité de très grande ampleur qui, a certes, freiné la croissance des dépenses budgétaires et assaini le secteur public et parapublic, mais a malheureusement entraîné une baisse considérable de l'activité économique.

C'est ainsi que le taux de croissance en termes réels du PNB, qui a été en moyenne de l'ordre de 7% par an durant les deux premières décennies de l'indépendance (1960 - 1980), est tombé en-dessous de zéro en 1981 - 1982 pour ne redevenir que légèrement positif en 1983. Par le fameux phénomène de «tache d'huile» bien connu, la stagnation de l'économie a entraîné une contraction des ressources financières de l'Etat, qui est, comme dans pratiquement tous les pays en voie de développement, le principal investisseur.

En taisant pour le moment les douloureuses conséquences sociales qu'a provoquées et continue de provoquer la mise en œuvre du programme ivoirien d'ajustement structurel, voyons concrètement en quoi consiste ce dernier dans les grandes lignes.

I. APERCU DU PROGRAMME IVOIRIEN D'AJUSTEMENT STRUCTUREL.

Le fait que la Côte d'Ivoire connaisse depuis plusieurs années maintenant de sérieuses difficultés économiques et financières n'est donc ni un secret, ni un fait nouveau. Ce qui est nouveau par contre, c'est que les pouvoirs publics ivoiriens ont été contraints récemment d'adopter un programme d'ajustement d'une très grande envergure.

Ce programme de redressement économique et financier vise, à court terme, à améliorer la situation des finances publiques et de la balance des paiements et, à moyen terme, à rétablir les bases d'une croissance équilibrée. Il a fait l'objet d'un accord de facilité élargie, signé avec le FMI en Février 1981, et d'un support de la Banque Mondiale, sous la forme d'un premier Prêt d'Ajustement Structurel, conclu en novembre de la même année.

La première phase du Programme d'Ajustement Structurel en Côte d'Ivoire a consisté en une réforme audacieuse des Sociétés d'Etat, les fameuses SO. DE... En effet, les couleurs de cette restructuration profonde largement inspirée, dit-on, par les «conseillers» du FMI et de la Banque Mondiale, avaient été annoncées par le chef de l'Etat au cours du Conseil National élargi du PDCI-RDA réuni au Palais de la Présidence de la République à ABIDJAN le 12 juin 1980.

Au cours de cette réunion, il a été affirmé qu'une bonne partie des difficultés économiques de la Côte d'Ivoire venait de la mauvaise gestion des Sociétés d'Etat. Une réforme profonde de celles-ci s'imposait donc. A en croire le Président Ivoirien, «ces sociétés d'Etat ont été largement responsables de la situation catastrophique dans laquelle se trouvent les finances de l'Etat ; leurs dettes allaient de 600 millions de francs CFA pour les unes à 16 milliards pour les autres.» Les mesures prises ont donc été annoncées au Conseil National par le chef de l'Etat :

— seules sept de toutes les sociétés d'Etat (environ une quarantaine) conserveront leur statut. Il s'agit de : Air-Ivoire, Caisse de Stabilisation, Palmindustrie, Petroci, Sitram, Sodemi, Sodesucre. La BNDA et le Crédit de Côte d'Ivoire, sociétés à participation publique ou para-publique internationale, sont assimilées aux sociétés d'Etat. Elles ont toutes deux vocation de sociétés d'économie mixte ;

— quinze autres sociétés d'Etat disparaissent, soit parce que l'objectif social qui leur avait été défini lors de leur création a été réalisé, soit parce qu'elles occupaient une place marginale dans leur secteur d'activité, soit parce qu'elles ne répondent plus aux besoins actuels de l'économie ou que leur direction pose des problèmes insurmontables. Deux de ces quinze sociétés (SONAGECI et Ivoire-Outils) seront privatisées ;

— trois anciennes sociétés d'Etat sont transformées en établissements publics administratifs (EPA) et huit autres en établissements publics à caractère industriel et commercial (EPIC) ;

— tous les agents au service de l'Etat dans les sociétés d'Etat ou dans les établissements publics seront désormais rémunérés sur les mêmes bases de traitement que ceux de l'administration générale.

Des indemnités spécifiques pourront compenser ici ou là des contraintes particulières. Seuls les détenteurs de postes de très haute responsabilité pourront recevoir des indemnités de logement et annexes qui seront fixées par le Gouvernement. Enfin le nombre et les spécifications des voitures de service seront ramenés aux normes administratives fixées par l'instruction présidentielle du 14 Janvier 1979.

Ce sont les principales mesures prises pour réformer les sociétés d'Etat.

Le Programme d'Ajustement Structurel ivoirien, qui entre à présent dans sa deuxième phase, vise la poursuite des efforts amorcés essentiellement dans trois secteurs : l'agriculture, l'industrie et les mines, et en fin l'habitat. Cela a fait l'objet d'un engagement précis de la part du gouvernement ivoirien vis-à-vis du FMI et de la Banque Mondiale, engagement consigné dans un document appelé «la lettre d'intention» du gouvernement ivoirien, mais qui, en réalité, s'intitule «Déclaration de politique économique». Ce document contient non seulement les mesures effectives que les Autorités ivoiriennes s'engagent à prendre pour redresser la situation de marasme économique dans laquelle se trouve plongé le pays, mais aussi un calendrier précis avec des dates concrètes de la mise en œuvre des dites mesures de redressement économique et financier. En voici les grandes lignes selon les trois secteurs concernés et déjà mentionnés ci-dessus.

L'AGRICULTURE

On sait que l'essor de l'économie ivoirienne a été basé sur le développement du secteur agricole. Ce dernier continuera encore à jouer un rôle moteur dans l'équilibre économique, social et financier de la Côte d'Ivoire. Le Gouvernement tient à faire en sorte que ce secteur garde la plus haute priorité dans sa politique économique, à partir d'un programme d'actions qui s'articule autour de trois principaux axes :

- (a) la définition et l'application d'une politique de prix, de subvention et de commercialisation cohérente et incitative;
- (b) la réforme des entreprises agricoles du secteur para-public les plus importantes pour améliorer leur efficacité et la rentabilité de leurs interventions ;
- (c) la définition et l'application d'une stratégie de développement rural visant à la modernisation et à la diversification de la production agricole et en particulier à la promotion de la production vivrière, dans le cadre d'une perspective à long terme d'autosuffisance alimentaire.

Pour ce qui est de la politique de prix et de subvention, les Autorités ivoiriennes estiment que la mise en place d'un système qui soit incitateur est le meilleur moyen d'organiser la structure de la production agricole.

La politique des prix et de subventions à mettre sur pied doit concilier un ensemble d'éléments :

- assurer le meilleur équilibre entre les prix au producteur, de façon à encourager les exploitants à développer les cultures ayant des avantages comparatifs liés aux intérêts économiques à long terme du pays ;
- amortir les fluctuations à court terme des cours mondiaux sur les prix aux producteurs ;
- donner une impulsion appropriée à la production et à la commercialisation des produits vivriers et des cultures d'exportation ;
- encourager les exploitants à adopter des technologies avancées (insecticides, coton, bâches et bacs de fermentation du cacao...) en leur assurant un emploi rationnel des intrants par des prix qui reflètent le coût réel.

A partir de la campagne 1983/84, le Gouvernement tend à corriger certaines distorsions de prix en supprimant les subventions aux engrais.

Avec l'exemple du riz, la commercialisation représente une subvention de 3 milliards de francs CFA qui ne devrait pas augmenter à l'avenir. L'effort du gouvernement porte sur l'ajustement du prix à la consommation au prix du riz importé de manière à subventionner le riz importé.

L'Etat ivoirien en 1982 essaie de privatiser la commercialisation et la transformation du riz tout en fournissant les moyens financiers nécessaires pour l'achat aux producteurs. L'effet immédiat de cette décision est de garantir aux producteurs un paiement régulier de leurs quantités et d'améliorer les rendements d'usinage et les quantités collectées (16.000 tonnes en 1982, 40.000 tonnes en 1983...). A l'avenir, le gouvernement dégagera les moyens nécessaires pour améliorer davantage l'efficacité afin de réduire l'élément de subvention dans la transformation commerciale du riz. Des efforts ont été déployés pour améliorer les circuits commerciaux de maïs, des légumes, d'arachides...

L'Etat est amené à supprimer progressivement la subvention aux engrais fournis par la SIVENG. Ceci pose un problème du soutien et des incitations à donner aux agro-industries consommatrices d'engrais composés. La SIVENG est appelée à perdre son monopole local et à se trouver en concurrence avec les producteurs étrangers.

La réforme des entreprises du secteur agricole consiste à améliorer la gestion des sociétés suivantes : PALMINDUSTRIE, CIDT, SATMACI, SODESUCRE... et à réduire les coûts d'intervention grâce aux différents audits de gestion effectués dans ces différents établissements.

Pour relancer l'économie ivoirienne, il a été décidé dans le cadre du premier prêt d'ajustement structurel de mettre l'accent sur l'importance d'une politique de développement agricole qui permet de poursuivre une croissance économique appropriée aux structures changeantes du marché mondial et d'accroître le porte-feuille de projets agricoles.

A cet effet, on assiste au renforcement des instances responsables de la planification et de la préparation des projets agricoles. En 1981, une nouvelle entité a été créée sous la dénomination de Direction des Etudes et

de la Planification (DEP) au sein du ministère de l'agriculture. D'autres entités ont été aussi créées pour la structure et l'organisation de la recherche agronomique (Institut des Savanes (IDESSA), Centre Ivoirien de Recherches Technologiques (CIRT...)). Enfin, les grandes orientations de la loi-Programme 1983-1985 portent sur :

- la régénération caféière ;
- l'amélioration de la productivité des cacaoyères et la qualité du cacao ;
- l'expansion de l'hévéaculture ;
- la replantation des palmiers à huile et cocotiers.

L'INDUSTRIE ET LES MINES

Le secteur industriel, dans les années 70, a connu une période d'expansion rapide et continue. Ce secteur a vu sa part dans le produit est entré dans une phase qui s'est notamment caractérisée par un ralentissement très remarquable de la croissance des exportations et par une réduction des investissements (la valeur ajoutée industrielle en termes réels a baissé de 5% ; les exportations ont chuté de 6% et les investissements de 20%).

Pour relancer l'économie ivoirienne, l'Etat cherche au-delà des aléas de la conjoncture, à trouver des solutions aux problèmes structurels du secteur industriel. Ces problèmes sont au nombre de quatre :

a) Diminution de la Compétitivité des Entreprises

L'industrialisation ivoirienne est fondée depuis les années 70 sur l'expansion continue du marché intérieur et le développement du marché régional de la CEAO. Sa réussite est due :

- à un système d'incitations industrielles relativement simple, fondé sur une protection tarifaire modérée, et uniforme entre les différentes branches ;
- à l'absence d'un système de restrictions quantitatives à l'importation.

En 1973, à la suite d'une révision du tarif douanier, le secteur industriel a connu une situation relativement dégradée. Des distorsions considérables se sont créées entre la protection accordée aux différentes branches industrielles, et à l'intérieur de celles-ci, entre les différents degrés de transformation des produits.

D'autres éléments ont contribué à la dégradation de la compétitivité des produits manufacturés ivoiriens sur les marchés d'exportation. Ce sont la flambée des prix domestiques, l'accélération du taux d'inflation après 1975 et la crise du pétrole à partir de 1979 qui ont introduit une distorsion entre le niveau des prix en Côte d'Ivoire et celui de ses principaux partenaires commerciaux sur les marchés internationaux. On pense résoudre le problème de dégradation du secteur industriel en développant le système de restrictions quantitatives à l'importation qui s'est traduit par l'accroissement rapide du nombre de produits soumis à quota d'importation. L'évolution du secteur industriel ivoirien a favorisé la détérioration de la compétitivité de l'industrie ivoirienne par suite de l'implantation d'entreprises de substitution à l'importation non économiques. Ceci a certainement entraîné un manque à gagner considérable pour l'Etat, correspondant aux droits de douane qui devraient être perçus.

C'est pourquoi le programme d'ajustement structurel est nécessaire pour rendre l'industrie ivoirienne compétitive tant sur le marché intérieur qu'à l'extérieur, sans restrictions quantitatives.

b) Discrimination du système des incitations à l'encontre des exportations

Le système des incitations industrielles mis en place depuis 1970 a créé une forte discrimination entre l'incitation à la valeur ajoutée pour les ventes sur le marché domestique et l'incitation à la valeur ajoutée pour l'exportation. De nos jours, on a besoin d'un système adéquat d'incitations à la valeur ajoutée pour rendre les industries locales beaucoup plus compétitives sur le plan international.

c) Faible intégration du tissu industriel.

L'industrie ivoirienne est caractérisée par une prédominance d'activités de transformation générale. Une réforme est en cours pour développer la production locale de biens intermédiaires en réduisant l'écart entre la protection accordée à la production des produits intermédiaires et des produits finis et en décourageant les effets négatifs des importations hors taxes que permettent le code des investissements et le régime de l'admission temporaire dans leur forme actuelle.

d) Faiblesse de la politique de promotion de l'industrie locale.

Il existe des carences au niveau des Etablissements chargés de la promotion qui se situent au niveau de l'assistance technique et de l'assistance financière aux petites et moyennes entreprises.

Compte tenu de ces quatre éléments précités, le Gouvernement a entamé une profonde réforme pour restructurer le secteur industriel afin de lui donner son dynamisme et sa compétitivité dans le cadre d'un développement économique équilibré.

Cette réforme comprend une modification des tarifs douaniers en vue d'harmoniser la protection effective entre les différentes branches d'activités. En outre elle s'occupera de la mise en place d'un mécanisme de subvention aux exportations vers les pays hors CEAO. Ces subventions ont pour but de compenser les exportateurs potentiels pour le différentiel d'inflation accumulé par les exportateurs ivoiriens avec leurs principaux partenaires commerciaux et pour la protection effective accrue accordée aux industriels approvisionnant le marché local.

La réforme procédera au remplacement des restrictions quantitatives par des surcharges dégressives à l'importation. Elle visera en ce qui concerne la fiscalité de droit commun, à placer les entreprises industrielles telles que les PME, dans de meilleures conditions de compétitivité. La révision du code des investissements privés visera à encourager le développement d'activités nouvelles.

L'HABITAT

La réforme de la politique de l'habitat n'a pas été systématique comme dans le domaine de l'agriculture et de l'industrie. Elle a été l'objet d'un stade important de réflexion. Alors, les grandes lignes de ladite réforme porteront sur les points suivants :

- l'aide au logement en milieu rural ;
- la mobilisation de l'épargne et le financement de l'habitat ;
- la création d'une structure d'animation et de coordination.

En ce qui concerne l'offre foncière, on fera des aménagements susceptibles d'amener à un fonctionnement plus efficient du marché foncier et à une meilleure satisfaction de la demande de terrains.

L'aide au logement en milieu rural sera indispensable puisque dans un contexte de limitation de ressources, la recherche d'une meilleure utilité collective oblige à centrer les préoccupations sur les équipements profitant au plus grand nombre d'habitants. C'est ainsi que l'Etat soutiendra la politique de production de logement social qu'on adaptera au mode de vie rural et à la nature des activités agricoles.

Le fonds de soutien à l'habitat sera utilisé sous forme de consolidation et bonification, le remboursement du principal étant gagé par la production de l'exploitation.

Un effort a été fourni pour instituer le « plan d'épargne logement » pour :

- intéresser et sélectionner les véritables candidats à l'accession à la propriété ;
- développer l'épargne des particuliers qui sera dirigée vers le financement du logement.

Les résultats obtenus par la Banque Nationale pour l'Epargne et la Construction jusqu'à présent paraissent prometteurs, mais l'épargne des particuliers reste insuffisante.

Pour compléter cette action, le gouvernement a jugé bon de créer une structure d'animation et de coordination pour faire face au problème crucial de l'habitat. Le but essentiel de cette structure est de mener des études techniques afférentes à la production, au prix, aux études réglementaires et bancaires.

Cette réforme de l'habitat est un programme onéreux de logements sociaux.

II. RESULTATS OBTENUS ET CONSEQUENCES SOCIALES DE LA MISE EN OEUVRE DU PROGRAMME IVOIRIEN D'AUSTERITE.

Du point de vue des résultats escomptés, il convient de rappeler que le programme d'austérité accepté par les Autorités ivoiriennes visait, à brève échéance, à améliorer la situation des finances publiques et de la balance des paiements et, à moyen terme, à restaurer une croissance économique équilibrée. Autant d'objectifs nationaux à la fois judicieux et légitimes.

Mais là où le bât blesse, c'est au niveau des résultats concrets obtenus par l'application de ce programme. Malgré la mise en œuvre d'une politique budgétaire et monétaire très restrictive, les progrès dans la restauration des grands équilibres économiques et financiers sont assez lents à se dessiner. On pourrait tout au plus retenir comme positif le fait que le déficit du secteur public a été ramené de 12,8 % du PIB en 1980 à 8,9 % en 1982 ; il devrait tomber à 6,2 % en 1983. Le déficit du compte courant de la balance des paiements, qui était de 16 % du PIB en 1980 a été de 13,7 % en 1982 et devrait se situer aux alentours de 11,1 % en 1983.

Ces résultats déjà obtenus, quoique très maigres à notre goût, sont d'autant plus encourageants pour les initiateurs du programmes ivoirien d'austérité que l'évolution de l'environnement international laisse à désirer, pour ne pas dire qu'elle est carrément hostile.

Cependant on est en droit de s'interroger : au prix de quels sacrifices sociaux et même économiques a-t-on pu obtenir ces résultats, somme toute, dérisoires ? C'est là la grande question qui se pose en Côte d'Ivoire et ailleurs dans le monde aux inspirateurs de ces soit-disant programmes de redressement et d'ajustement structurel.

Pour ce qui est du cas spécifique de la Côte d'Ivoire, les retombées négatives, au plan social, de l'application du programme d'austérité conseillé par les experts du FMI et de la Banque Mondiale sont nombreuses, les unes aussi douloureuses que les autres. Mais ici nous ne retiendrons que deux conséquences sociales qui nous paraissent être les plus sérieuses :

- le blocage des salaires, et même leur diminution dans certains cas ;
- le chômage qui prend une ampleur sans précédent.

La politique salariale arrêtée par les Autorités ivoiriennes dans le cadre du programme d'austérité consiste à bloquer jusqu'à nouvel ordre toute évolution du niveau des salaires des fonctionnaires et autres agents de l'Etat. Une décision officielle prise en Conseil des Ministres stipule même que, désormais, tout avancement régulier et statutaire d'échelon ou de grade dans les corps de la Fonction Publique ne sera assorti d'aucune incidence financière. Si l'on tient compte du fait que, par ailleurs, le taux d'inflation se situe au bas mot à 15% par an, on comprend que le pouvoir d'achat des fonctionnaires ivoiriens se dégrade continuellement, et, avec lui, leur niveau de vie.

Mais cela est encore plus grave pour une autre catégorie de travailleurs : il s'agit de ceux employés dans les sociétés d'Etat et établissements publics réformés ou restructurés au début de 1981. En effet, au moment de la fameuse réforme des sociétés d'Etat, il a été précisé que tous les agents au service de l'Etat dans les sociétés d'Etat ou dans les établissements publics seront désormais rémunérés sur les mêmes bases de traitement que ceux de l'administration générale. En clair donc, il s'agit d'une diminution effective de salaire pour cette catégorie d'employés, puisqu'il est de notoriété publique que le niveau des salaires dans les sociétés d'Etat était nettement supérieur au niveau des traitements de la Fonction Publique, toutes choses égales par ailleurs (à savoir diplôme, compétence, responsabilité, etc...).

Au chapitre de l'emploi, la situation n'est pas plus rose. En effet, dans le cadre du Programme d'Ajustement Structurel, le Gouvernement ivoirien s'est engagé à ne procéder à aucun nouveau recrutement de fonctionnaires ou autres agents de l'Etat jusqu'à nouvel ordre. Cela ne manquera pas d'aggraver cette forme nouvelle de chômage qui est apparu en Côte d'Ivoire durant les trois dernières années et que l'on nomme pudiquement «le chômage intellectuel», et qui se traduit dans la réalité par l'incapacité des structures existantes à employer des jeunes gens, de plus en plus nombreux, fraîchement sortis de l'Université nantis de tous les parchemins requis. Dans un pays où l'Etat est non seulement le premier formateur et le premier investisseur, mais aussi le premier employeur, c'est là un grave constat d'impuissance et d'échec.

A ce tableau du chômage il faut ajouter la fermeture récente de deux des six complexes sucriers acquis pourtant à prix d'or (10 à 40 % de surfacturation par rapport à la norme mondiale). Il s'agit des complexes de Katiola — Marabadiassa dans le Centre du pays, et de Sérébou-Comoé au Nord-Est. Encore une fois l'étude-diagnostic sur l'industrie sucrière ivoirienne faite par les experts de la Banque Mondiale a prescrit une thérapeutique sévère. Chaque complexe pouvant, en pleine campagne, employer jusqu'à 3000 personnes, on perçoit le dégât social causé par cette mesure de fermeture.

Au plan économique, les conséquences de la mise en œuvre du programme d'austérité en Côte d'Ivoire sont également nombreuses et lourdes de conséquences. Nous n'en retiendrons ici que deux :

- la dette extérieure, ce grave handicap qui demeure non résolu ;
- l'arrêt des grands travaux, qui vient déprimer davantage la situation.

Nous avons déjà dit que l'un des objectifs visés par le Programme Ivoirien d'Ajustement Structurel était l'amélioration rapide de la situation de la balance des paiements, c'est-à-dire la résolution du « puzzle » posé par la dette extérieure.

Si l'application de ce programme d'austérité rigoureuse a permis de stopper l'accroissement des dépenses budgétaires et d'assainir quelque peu le secteur public, elle a malheureusement entraîné une baisse considérable de l'activité économique. Or les économistes savent bien que les phénomènes économiques ne sont jamais isolés les uns des autres. Bien au contraire. Ils sont intimement liés et interdépendants. Entre eux joue presque toujours la fameuse loi de « boule de neige » ou de réaction en chaîne. C'est pourquoi la récession de l'économie ivoirienne (le taux de croissance annuel moyen du PNB en termes réels étant tombé de 7% durant la période 1960—1980 en-dessous de zéro en 1981—1982) a provoqué à son tour une réduction des ressources financières de l'Etat. Or ce sont précisément ces dernières qui permettent de faire face aux engagements vis-à-vis des créanciers internes et externes. Alors, pour faire face aux échéances des emprunts contractés pendant la période des vaches maigres, l'Etat a dû solliciter à nouveau le concours des banques, mais au prix fort cette fois. Entre 1979 et 1983, la dette extérieure publique de la Côte d'Ivoire est passée de 1074 milliards de francs CFA à 2125 milliards de F CFA, soit près du double. Le service de la dette (remboursement du capital et paiement des intérêts) qui en découle, atteint 400 milliards de F CFA en 1983, soit environ 40% des recettes d'exportation du pays.

Il est vrai que ce gonflement est dû, en grande partie, à la montée vertigineuse du cours du dollar qui est passé de 200 F CFA à 400 F CFA durant la période considérée (1979—1983). En fait, la dette extérieure ivoirienne est libellée, à concurrence de 45%, en dollars. Or le Chef de l'Etat Ivoirien mettait personnellement un point d'honneur à ce que la Côte d'Ivoire s'acquitte coûte que coûte à temps de ses engagements, si bien que le pays emprunte annuellement près de 400 milliards de F. CFA depuis 1980 pour amortir ses emprunts extérieurs. Ce faisant, on vide le pays d'une partie de sa substance et on le prive ainsi d'une possibilité de relance qui contient elle-même, à terme, la solution au problème. C'est cette situation, qui ressemble étrangement à une impasse ou à un cercle vicieux, qui a contraint les Autorités ivoiriennes à demander récemment un rééchelonnement de la dette publique de la Côte d'Ivoire.

En fait cette démarche s'imposait, étant donné que les projections du service de la dette donnaient 440 milliards de F CFA pour l'année 1984, ce qui représente 45% des recettes d'exportation ! Ce rééchelonnement, obtenu en avril 1984 auprès des créanciers officiels et privés de la Côte d'Ivoire représentés aux Clubs de Paris et de Londres, permettra un étalement des échéances sur trois ans, ce qui se traduira par une économie de 200 milliards de F CFA. Cette somme viendra sûrement à point nommé pour apurer les arriérés de la dette publique intérieure et donner ainsi un ballon d'oxygène aux entreprises locales créancières de l'Etat et faisant face actuellement à de sérieuses difficultés de trésorerie.

Pour ce qui est de l'arrêt de certains grands travaux d'intérêt national, cela s'inscrit toujours en droite ligne au nombre des conséquences économiques du Programme d'Ajustement Structurel. En l'occurrence il s'agit, pour l'Etat, de surseoir à l'extension de l'aéroport d'Abidjan - Port Bouët et à la construction du barrage hydro-électrique de Soubré notamment. Le secteur le plus touché par ce train de mesures d'arrêt des grands travaux est, bien entendu, le secteur des «Bâtiments et Travaux Publics». La crise a été si éprouvante pour cette activité que le volume des emplois y est passé de 57.000 en 1979 à 17.000 en 1984, soit une chute de près des trois quarts. A l'origine de cette situation : la réduction des budgets de fonctionnement et d'investissement de l'Etat, qui, faut-il le rappeler, est le principal investisseur et donc le premier client des entreprises de cette branche d'activité.

CONCLUSION

Au terme de tout ce qui vient d'être dit, nous voyons que les Autorités politiques ivoiriennes ont choisi, avec la bénédiction des experts du FMI et de la Banque Mondiale, la solution économique draconienne contre la solution sociale de la crise. Au nom du redressement économique et financier, de la restauration des principaux équilibres macroéconomiques, de l'ajustement structurel, on essaie de faire ingurgiter au peuple ivoirien une pilule bien amère, celle de l'austérité. Cela ne va d'ailleurs pas sans grincement de dents çà et là, sans menace de grève dans telle ou telle entreprise publique ou para-publique. Mais le calme social a jusque-là été sauvegardé en Côte d'Ivoire grâce au charisme exceptionnel de l'actuel chef de l'Etat au passé très prestigieux. Il n'est pas dit que ce «statu quo» sera maintenu «ad eternam».

Voilà qui pose justement l'implication, le rôle et surtout la responsabilité de certaines institutions internationales, inspiratrices pour ne pas dire auteurs, de ces fameux programmes d'ajustement structurel. Le FMI et la Banque Mondiale sont de celles-là. Les experts de ces institutions, avant de «conseiller» un plan de relance à tel ou tel gouvernement, ne prennent pas toujours compte des réalités sociologiques propres aux pays en question. Leurs «plans-panacées» se ressemblent toujours curieusement comme deux gouttes d'eau, qu'il s'agisse de pays aussi différents que l'Ouganda et le Bangladesh, que la Jordanie et Haïti. C'est d'ailleurs la raison pour laquelle on assiste de plus en plus à la «révolte du riz» au Libéria, au Ghana ou à Haïti, à la «révolte du pain» en Tunisie ou en Bolivie. C'est ce qui vaut actuellement au FMI d'être sou-

vent sur la sellette dans les pays du Tiers-Monde, où on l'accuse de vouloir toujours imposer la même thérapeutique, quel que soit le malade, pour redresser la balance des paiements et obtenir une sacro-sainte «vérité des prix», et cela souvent au détriment de la paix et de la concorde sociales. D'ailleurs certains pays en voie de développement (Congo Madagascar) ont parfois préféré renoncer à la «générosité» du FMI plutôt que de provoquer un mécontentement général aux conséquences imprévisibles. L'économie et le social doivent être alliés et non opposés, pour surmonter la crise.

SUMMARY

The entire International Community is seriously preoccupied by the increasing indebtedness of Third-World countries. As a result of the enormous proportion it has taken, it now dominates the discussions on economy and finance and seriously jeopardises the efforts of young nations in social and economic development. The Ivory Coast has been particularly hit by the hardship.

After a long period of economic growth made possible by favourable price offered for the main export products — coffee and cocoa — the Ivory Coast drew up an impressive public investment programme whose components have not always been fully evaluated. However, from 1979 to 1982, the country faced one of the most adverse situations in terms of its foreign exchange. Its trade balance and balance of payments were seriously affected and public income dwindled considerably. Therefore, the Ivory Coast, like other African countries, resorted to the IMF and signed an agreement with the Fund in February 1981. Accordingly it received two structural adjustment loans which both aimed at improving the economy in agriculture, industry and mines, and housing.

In agriculture, efforts were geared to defining and applying new policies on prices, subsidies and trading; restructuring agricultural enterprises in the parastatal sector by improving their effectiveness and viability; defining and applying a new strategy for rural development towards modernisation, diversification of agricultural production and especially at promoting food production within the framework of a long-term self-sufficiency in food.

In industry and mines, solutions were to be found to the following problems: diminution in the competitiveness of enterprises, discrimination in the system of incentives, weak integration of industries and weakness of the policy of the promotion of local industry.

As far as housing is concerned, the issues of offer of land, housing aid in rural areas, mobilisation of savings and financing of housing as well as creation of a structure of animation and coordination were to be considered again.

The Ivorian case brings into question the role international financial institutions play in the so-called structural adjustment programmes. The point is that the experts of these institutions never take into consideration the sociological realities of the countries they are supposed to advise. They simply apply the same remedy indiscriminately, regardless of the differences between the countries and at the risk of general discontent with unforeseeable consequences.

F.M.I. EN GUINEE: UN PROGRAMME TRES CONTESTABLE

Par

*Alain COURNANEL**

La mission du FMI en Guinée a énuméré ses recommandations dans une note du 29 Octobre 1984 (1). Nous en rappellerons brièvement la teneur et les objectifs avant d'analyser la pertinence du programme d'action proposé.

DES MESURES D'AJUSTEMENT DRASTIQUES

Les décisions suggérées s'articulent autour de deux impératifs : dévaluer massivement et lutter contre l'inflation.

— Le FMI ambitionnait de réduire l'écart entre le taux officiel (1 \$ = 25 sylis) et le cours du marché parallèle (1 \$ = 250 sylis) en deux étapes.

Tout d'abord réévaluer le dollar de 500 % (1 \$ = 150 sylis) pendant une phase intermédiaire de 4 mois. Dans le même temps le secteur privé se procurerait des devises par un système d'enchères hebdomadaires pour lequel l'Etat devrait vendre au moins 1 million (M) de devises par semaine, 15 M pour la totalité de la période. Le taux du marché parallèle devrait progressivement s'aligner sur celui qui résulterait des enchères.

Dans une deuxième phase on déterminerait un taux de change unique, d'équilibre, qui se rapprocherait fort du cours du marché parallèle (1 \$ = 250 sylis).

Cette dévaluation serait assortie de la libération des échanges et des prix, avec pour conséquence notable le quadruplement du prix du riz importé et le triplement du prix de l'essence. Comme corollaire la note prévoyait, au total, un doublement des salaires dans le secteur public.

— Les mesures anti-inflationnistes interviendraient à plusieurs niveaux : système monétaire et organisation bancaire, finances et secteur public, endettement.

• La réforme du système bancaire visait à rendre possible le contrôle du crédit à l'Etat et au secteur public, à favoriser les dépôts et le financement du secteur privé. Dans cette optique, le Fonds conseillait le rattachement de l'Institut d'Emission à la Banque Centrale, la fermeture de la plus grande partie des établissements financiers existants, et l'ouverture aux agences des Banques étrangères.

• En matière de Finances publiques il était demandé de réduire le déficit, de reconstituer un budget unique (fonctionnement + investissement) sous l'autorité du Ministère des Finances, de simplifier la fiscalité, d'améliorer l'efficacité des administrations fiscales et douanières (un recours important à l'assistance technique était envisagé), de favoriser la réintégration dans les circuits officiels des exportations clandestines.

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Pour les 110 entreprises publiques recensées, le Fonds envisageait un traitement différencié : des plans de redressement pour une vingtaine considérées comme « d'intérêt national », l'association avec le capital privé pour environ 50 entreprises, et l'élimination progressive du reste.

Parallèlement, les effectifs des entreprises publiques seraient réduits de 20 %, avec des primes de licenciement pouvant atteindre une année de salaire.

Les allocations de devises au secteur public seraient également diminuées, la différence permettant au gouvernement de constituer un stock de riz suffisant pour faire échec aux manœuvres spéculatives.

Enfin la Guinée devrait rééchelonner sa dette extérieure en fonction de ses capacités réelles de remboursement et ne plus contracter d'emprunts importants à des conditions commerciales.

L'accent mis sur la dévaluation et la désinflation était symptomatique des buts poursuivis par le Fonds.

LES OBJECTIFS: EQUILIBRE DES COMPTES ET OUVERTURE AU CAPITAL PRIVE

Le contexte international, depuis la fin des années soixante dix, a vu s'infléchir le rapport des forces au détriment des débiteurs.

L'essentiel de l'endettement international est aujourd'hui supporté par le système bancaire et non par des créanciers privés comme au début du siècle. L'insolvabilité des débiteurs ne menaçait alors que les avoirs des détenteurs privés de créances.

De nos jours les créances figurant dans les bilans des banques créancières, l'annulation de plusieurs dizaines de milliards toucherait le système bancaire occidental et obligerait les autorités monétaires à intervenir. Ces banques ne pouvant exercer une contrainte directe sur les pays, cette fonction est impartie au FMI dont le rôle est plus important en matière d'ajustement que de financement (2).

Jusqu'en 1990, le système financier international s'efforcera de minimiser ou d'arrêter, par l'entremise du Fonds, le gonflement des dettes des pays considérés comme les moins solvables. Pour cela il importe d'imposer un ajustement rapide, même s'il se révèle draconien, puis des taux de croissance compatibles avec l'équilibre extérieur. Pour le FMI, une monnaie surévaluée oblige le pays considéré à réduire les importations et les sorties de capitaux pour faire face au déficit chronique de sa balance des paiements. Dans cette optique, la dévaluation et la libération des échanges permettraient de déterminer le taux de change susceptible de rééquilibrer la balance.

L'inflation, dans l'analyse du Fonds, se produit à partir du moment où l'offre de monnaie l'emporte sur le volume disponible des biens et services. Les recommandations concernant le crédit, le budget, les salaires et les prix permettraient de limiter l'offre de monnaie et la demande de biens. Couplées à la dévaluation – libération des échanges, elles permettent de rééquilibrer la demande et la quantité de biens disponibles tout en faisant disparaître le marché parallèle.

L'ouverture au capital privé international est également un objectif permanent du FMI. Elle figure en bonne place dans ses recommandations. La lutte contre l'inflation et la recherche de l'équilibre extérieur sont largement liés à cette orientation politique.

Il est en effet impossible d'évaluer les rendements escomptés des investissements dans une économie minée par l'inflation. En outre les transferts de capitaux sont rendus problématiques par le déficit chronique de la balance des paiements.

Fixer comme objectif l'équilibre des comptes sans pour cela prendre des mesures restrictives en matière de change et de commerce extérieur, crée donc à priori des conditions favorables à l'entrée de capitaux privés.

Les buts poursuivis une fois clarifiés, il reste à s'interroger sur les présupposés et le bien fondé de l'ensemble de l'opération. La note préliminaire du Fonds repose sur deux thèses :

L'inflation et la hausse des prix intérieurs seraient imputables à l'excès d'offre de monnaie. L'excédent de monnaie et l'accroissement des prix internes conduiraient à la dépréciation du taux de change.

Par contre il n'y aurait pas d'effet en retour de la hausse des prix des devises sur le niveau des prix intérieurs.

Ces deux propositions sont à notre avis erronées, et leur combinaison explique les faiblesses du « plan d'assainissement ».

UN PROGRAMME INOPERANT CONTRE UNE INFLATION STRUCTURELLE

On ne peut ramener l'inflation à la hausse des prix et l'expliquer par une émission excessive de monnaie. Pour éviter tout dérapage inflationniste il suffirait donc de se reposer sur la maîtrise de la masse monétaire par la Banque Centrale.

On comprend pourquoi le rapport insistait sur le rattachement de l'Institut d'Emission à la Banque Centrale, sur le contrôle de crédit, sur la réduction des dépenses publiques.

L'inflation dans une économie sous-développée traduit un ensemble de phénomènes beaucoup plus complexe : contradictions entre les déficiences organisationnelles et les objectifs de croissance, disparité entre l'ampleur des charges de l'Etat et les moyens de financement, déficiences structurelles du système productif et du processus de formation des prix, déformations de la demande, etc... Mais surtout, l'inflation résulte du conflit entre des groupes sociaux s'efforçant d'assurer la pérennité de leurs intérêts et luttant pour le maintien ou la redistribution du revenu réel. L'inflation permet de régler les discordances entre le système politico-social et les relations de propriété, entre la répartition des revenus et les exigences de la croissance.

Pour s'en tenir à l'essentiel, le quart de siècle écoulé a vu la bourgeoisie d'Etat instaurer sa domination à partir de la mise en place d'une zone monétaire, d'un système bancaire et financier propres. Cette catégorie a tenté d'assurer son expansion sans permettre le développement d'une

bourgeoisie privée, commerciale et agraire notamment. Elle s'est efforcée de soumettre la paysannerie et de brider toute contestation émanant de la classe ouvrière.

L'excès d'offre de monnaie, autrement dit le recours systématique à l'émission monétaire, traduisait à la fois l'incapacité du secteur public à se développer à partir de ses propres ressources et la résistance des autres pôles de l'économie (exportations et importations clandestines, stockage spéculatif, trafic de devises, repli de la paysannerie sur l'autoconsommation, etc...) à la mise en cause de leurs droits d'appropriation sur le produit.

Le FMI propose un vaste transfert de propriété, une nouvelle distribution des pouvoirs économiques à l'intérieur de la société guinéenne : démantèlement du secteur public ou association avec le capital privé, rajustement probable des prix des produits agricoles (d'exportation notamment) et des prix aux producteurs, d'une façon générale mesures destinées à garantir la rentabilisation des investissements privés. Par contre, les petits salariés et le prolétariat déjà très éprouvés sous le précédent régime, se voient proposer une nouvelle dégradation de leur niveau de vie (l'augmentation des principaux produits de consommation dépassera de beaucoup celle qui est recommandée pour les salaires). La bourgeoisie d'Etat se voit invitée à redevenir une bureaucratie plus efficiente et à ne plus agir comme classe dominante. Il est peu probable qu'elle s'y résigne. En outre le vide institutionnel actuel, sur le plan politique, est de nature à favoriser l'expression du mécontentement des couches qui seront les plus touchées par le programme d'action du Fonds.

Dans ces conditions, on voit mal en quoi l'adoption des recommandations du Fonds serait de nature à permettre une désinflation durable. Le FMI semblait accorder une confiance sans borne à la capacité de la Banque Centrale de contenir la masse monétaire, moyennant quelques réformes.

Or les contrôles monétaires peuvent seulement inciter les particuliers à détenir moins de liquidités, sans pour cela affecter le niveau des dépenses. La libéralisation envisagée du système bancaire interdit que la Banque Centrale puisse refuser le reescompte des effets mobilisables. Elle doit exercer son rôle de prêteur en dernier ressort, sous peine d'écroulement du système bancaire. L'offre de monnaie réagit aux variations de la demande d'espèces et de monnaie bancaire.

Le contrôle de la masse monétaire implique que soit également contrôlée la demande de monnaie par les particuliers. Or en Guinée les besoins de financement (investissements – commercialisation) seront énormes sans compter les demandes à buts spéculatifs.

Enfin un rajustement monétaire du type 1 \$ = 250 sylis, conduirait, selon le Fonds, à une augmentation de 100 % des salaires (en moyenne), de 300 % du prix du riz et de 200 % du prix de l'essence.

Dans une situation de libération des prix, de telles évolutions ne peuvent que contribuer à une relance de l'inflation.

Pourtant, ce qui paraît pour le moins paradoxal, le monétarisme dont se réclame le Fonds prétend qu'il n'y a pas d'effet en retour des variations du change sur le niveau des prix intérieurs. C'est sur cette question qu'il importe maintenant de faire le point.

DEVALUATION MASSIVE POUR DES RESULTATS EPHEMERES

LE TAUX DE CHANGE DU MARCHE PARALLELE N'EST PAS UN TAUX D'EQUILIBRE

Le rajustement proposé conduirait en fin de compte à un taux proche de celui du marché parallèle, ce qui implique que ce dernier soit peu ou prou un taux d'équilibre. Cette analyse est irrecevable pour au moins deux raisons (3).

Seules la demande de devises écartée par le contrôle des échanges et l'offre privée de devises, c'est-à-dire un solde de l'offre et de la demande de devises (et ce dans une économie très étatisée) constituent le marché parallèle.

Il s'agira donc d'un marché marginal et très fortement demandeur. Le taux de change sur ce marché sera très supérieur au taux officiel, et de type spéculatif.

Le taux du marché clandestin atteignait déjà dix fois celui du marché officiel en 1975, plus de huit fois en 1971 et cinq fois en 1966.

L'écart entre les deux taux devient cumulatif dès lors que des exportations frauduleuses se multiplient, car les devises obtenues par ce moyen sont échangées sur le marché clandestin, contribuant à aggraver l'inflation.

A la limite on peut obtenir officiellement des devises pour les négocier sur le marché parallèle et augmenter sensiblement la mise de fonds initiale en monnaie nationale.

Le taux du marché parallèle ne peut en aucun cas être proche d'un éventuel taux d'équilibre. C'est pourtant une assimilation de ce type qui explique l'ampleur de la dévaluation réclamée par le FMI ?

LES TAUX DE CHANGE FLOTTANTS NE GARANTISSENT PAS UN EQUILIBRE DURABLE

La suppression des contrôles et l'amélioration à terme de la balance des paiements sont explicitement envisagées par le Fonds.

Celui-ci pense que la disparition de l'inflation (nous avons donné notre sentiment sur ce point) suffira à garantir l'équilibre sur le marché des changes qui est traité à tort comme le marché d'un bien quelconque.

Dans cette perspective, le FMI semble proposer un taux de change flottant qui exercerait une action correctrice sur d'éventuels déséquilibres. On peut opposer trois types d'objections à ce raisonnement (4) :

— un taux de change flottant ne peut corriger un déséquilibre structurel, comme celui de la Guinée. Le déséquilibre de la balance des paiements, qui se traduit par un déséquilibre sur le marché des changes, ne peut être gommé par une hausse du prix des devises étrangères. Un déficit durable signifie qu'il faut durablement augmenter les recettes courantes en provenance de l'extérieur et diminuer les dépenses effectuées à l'extérieur. Ce sont les structures de l'offre du pays considéré qui sont ici en question. Elles ne peuvent évoluer que lentement, en fonction du niveau et du type de croissance.

— Contrairement à ce que postule la démarche du FMI, il se produit une action en retour du change sur les prix : un rajustement à la hausse du prix des devises par «... la spirale salaire/prix/taux de change, qui, d'après l'expérience d'autres pays, renferme des forces auto-accélératrices beaucoup plus puissantes» (5).

Voyant s'élever le taux d'inflation, les spéculations se positionneront inmanquablement contre la devise nationale.

— Enfin le maintien d'une zone monétaire spécifique sera un facteur permanent d'instabilité, compte tenu de la position géographique de la Guinée et des courants d'échange traditionnels dans cette zone de l'Afrique. Là encore, il faut réfléchir sur l'expérience passée et ne pas tout mettre sur le compte d'une gestion ubuesque.

On comprend le refus d'envisager un retour à la Zone Franc. Il reste, à terme, la nécessité d'un rapprochement monétaire avec les pays voisins pour parvenir à une certaine stabilité.

Mais cela impliquerait également d'accorder les dynamiques sociales. C'est tout le problème de la coordination des politiques monétaires et budgétaires qui est posé, et par conséquent celui de l'édification d'une zone économique Ouest Africaine.

D'ici là, il faudra bien admettre que le maintien d'une zone monétaire au niveau d'une économie aussi fragile que celle de la Guinée, implique l'existence permanente d'un contrôle des changes et du commerce extérieur, d'un marché des changes clandestins et de circuits commerciaux parallèles. Le nier serait absurde et vain.

UNE STAGNATION DU REVENU PAR TETE A L'HORIZON 1993

Créer des conditions favorables à l'investissement direct de capitaux étrangers et «normaliser» les rapports avec les créanciers auront, nous l'avons signalé, des effets sur le rythme de croissance.

Des projections établies (fin 1983) par la Banque Mondiale, ont montré qu'une hausse du PIB de 3 % par an sur la période 1983-1993 (soit + 40 % sur l'ensemble) était réalisable dans les conditions suivantes :

- multiplication des exportations de bauxite et d'alumine par 2,3 des ventes de diamant par 5 et des importés par 2,5 ;
- disparition à partir de 1983 de l'augmentation des arrérages de la dette ;
- maintien autour d'une moyenne de 38% du ratio «service total de la dette/exportations» ;
- augmentation de 60 % des réserves de change (mais elles ne représenteraient en 1993 qu'un mois et demi d'importations, contre deux mois en 1983) ;
- doublement du déficit du compte courant (de -73 millions de \$ à -168 millions).

Un taux de croissance plus élevé d'un demi-point par an (pour un ratio moyen dette/exportations de 34 % et un déficit du compte-courant réduit de 35 %) supposerait des exportations plus fortes (les ventes de diamant multipliées par 9 au lieu de 5 feraient la différence), et une balance alimentaire beaucoup plus équilibrée (-10 millions de \$ en 1993 au lieu de -130 millions).

La libération des importations rendrait bien aléatoire la réalisation des projections précédentes, mais ces calculs ne sont qu'indicatifs.

La stratégie d'extraversion prônée par le Fonds implique que le taux de croissance des exportations soit très supérieur à celui de ses partenaires industrialisés, pour ne pas générer un endettement explosif.

Avec un environnement relativement favorable et un taux de croissance de 3 à 3,4% par an seul le maintien de son revenu par tête serait assuré. Une récession mondiale entraînerait un recul dramatique de l'activité et mettrait évidemment l'économie nationale dans l'incapacité d'assurer le service de sa dette extérieure.

L'évolution de la Guinée depuis son Indépendance autorise au moins une conclusion :

«Dans le cadre des rapports de production hérités de la colonisation, en l'absence donc d'une stratégie de transition vers le socialisme, il n'est pas possible à la bourgeoisie d'Etat de supprimer les autres fractions de la bourgeoisie, tout en assurant un rythme satisfaisant de croissance» (6).

Il est apparu que la mise en valeur de capitaux privés et la formation d'une bourgeoisie privée, étaient indissociables de l'élargissement du capitalisme d'Etat.

Dans le régime précédent, les efforts de la bourgeoisie d'Etat pour gommer la bourgeoisie privée avaient conduit à la stagnation, à la réactivation des rapports pré-capitalistes et au développement de l'économie souterraine.

Se réclamer aujourd'hui d'un libéralisme débridé (inconcevable même dans un cas comme celui de la France) constituerait une erreur symétrique aux conséquences tout aussi funestes.

Il faut prendre garde à ne point obérer les chances de reconstruction et les perspectives de croissance nationale, et pour cela il faut sauvegarder le rôle d'orientation et d'intervention de l'Etat (à travers un important secteur public) tout en favorisant l'investissement de capitaux privés, notamment nationaux.

Dans cette optique, la manière désinvolte dont le FMI propose le licenciement d'environ 20.000 agents des entreprises publiques et l'éclatement du secteur d'Etat, la fragilité des thèses sur lesquelles repose son programme d'action devraient induire les responsables guinéens à refuser de s'engager dans une telle voie.

NOTES

1. «Note préliminaire de la mission du FMI», 15 pages (sans les annexes), Conakry le 29/10/1984.
2. CEPPII «Economie Mondiale 1980-90 : la fracture ?», *Economica*, 1984, pp. 340 et 322.

3. Ryelandt, «L'inflation en pays sous-développés», *Mouton*, 1970.
4. J. Denizet, «Monnaie et Financement dans les années 80», *Dunod*, 1982, pp. 270 et ss.
5. N. Kaldor, «Le Fléau du monétarisme», *Economica*, 1985, p. 155, passage souligné par nous.
6. Cf. notre chapitre sur la Guinée dans «Contradictions of Accumulation in Africa-Studies in State and Economy»— H. Bernstein and B. Campbell, *Editions Sage Publications*, California, à paraître en 1985.

SUMMARY

In its memoranda of October 29th, 1984, the IMF gave a series of recommendations to Guinea. The main content of these recommendations included drastic measures that had to be taken such as a massive devaluation of the syli in order to narrow the gap between the official rate and the rate of the black market and to fight against inflation. The fight against inflation would be conducted at the levels of monetary systems and banking structure, the financial sector, the public sector and the debt. The main objectives of these measures were to establish the balance of payments and to open up the economy to private capital. The objectives were based on the following hypotheses: (1) inflation and local price rise are imputed to the excess of money supply. This excess and this price rise lead to the depreciation of the exchange rate; (2) on the other hand, there is backlash effect of the foreign exchange on local prices. By setting these objectives in the context of an underdeveloped economy, the IMF totally ignores an important characteristic of inflation in Guinea which is that it is first and foremost structural and not a result of such simple phenomena. In other words, it is triggered by a complex set of factors which emanate from the political and social system as well as existing property relations.

Furthermore, the balance between the massive devaluation and the results obtained is unequal because the exchange rate of the black market which is the ultimate goal of the readjustment is not a fixed one. The changing exchange rates cannot guarantee a long lasting balance either. At most, the IMF recommendations can lead to a stagnation of the per capita income by the year 1993. A more severe world crisis would lead to a dramatic decrease of the economic activities and the state will be unable to pay its external debt. Therefore when one considers the analysis of the appropriateness of the proposed program of action, the rather unembarrassed way the IMF proposes the sacking of almost 20.000 agents of the public sector and also the splitting of the state sector, the weakness of the theoretical principles on which this program is based should invite the Guinean Authorities to reject such a strategy.

UNDERSTANDING AND RESOLVING THE CURRENT ECONOMIC CRISIS IN NIGERIA*

By

*Yusufu Bala USMAN***

INTRODUCTION

Among the most important aspects of the current economic crisis ravaging Africa are the specific ways the peoples and governments of Africa understand and comprehend its nature, scale, causes and directions in each particular country and across the whole continent. A crisis of this magnitude, whether in nature or in society, cannot even be measured, let alone resolved, without a realistic grasp of what actually constitutes its essential characteristics.

The extent to which the governments ruling Africa today possess this correct and realistic grasp of the nature of this crisis is what is partially determining the extent to which these governments are succeeding, or failing, in mobilising and leading the people of the various countries towards its resolution. For, it is on the basis of certain conceptions of the nature, causes and directions of the crisis that they formulate the actual economic, social and political strategies, programmes and policies which they are applying in an attempt to overcome it.

These conceptions, arising from specific positions, interests, relationships and historical formations, besides providing the basis for formulating these programmes also serve to rationalise and legitimise them as means, however harsh, of attaining long-term and worthwhile popular and national objectives. They, therefore, constitute substantial political and psychological factors which the people of each country have to contend with.

A conference (1) like this one can easily ignore these conceptions of the nature of the current crisis held by African governments, and concern itself with more fashionable issues and cosmopolitan debates which may appear to have more meaning and significance. Such an attitude would be mistaken. For the meaning and significance of the deliberations of this Conference for the people of Africa who are actually suffering and dying in this crisis, will be determined by the extent to which it assists them in the essential exercise of properly mapping out some of the features and factors of the concrete terrain of their struggles for survival, progress and national liberation.

This paper is an attempt to contribute to this exercise by examining firstly, the conception of what constitutes the current economic crisis in Nigeria held by the present Federal Military Government of Nigeria,

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and comparing it to the conception held by the civilian regime it overthrew in the military coup of 31st December, 1983. And then, secondly, an attempt is made to see whether this particular conception provides this Federal Military Government with a correct and realistic basis for the diagnosis of the crisis, and for working out and implementing strategies capable of overcoming it. Finally, the paper proposes a more realistic basis for understanding the essential characteristics of the crisis in Nigeria and for working out and implementing correct strategies, programmes and policies for resolving it.

MANIFESTATIONS AND SYMPTOMS

In spite of the variety of the terms used to describe the current crisis like «recession», «decline», «austerity», «sufferings», or «economic hardships», there seems to have been about ten major symptoms of this crisis. The symptoms have presently manifested themselves since it began in its present definite form in the last four years; that is from its beginning in 1981. These are in summary, as follows: (2)

- (i) the increasing rate of decline in the volume of production in almost all sectors of the economy, extending to the closure of factories and the halting of work on uncompleted projects;
- (ii) the almost total freeze on new employment and large-scale retrenchment in all sectors of the economy leading to massive unemployment in both rural and urban areas and for all levels of manpower;
- (iii) the chronic and serious shortages of foodstuff and all types of goods;
- (iv) the high rate of price inflation;
- (v) the rising burden of indebtedness on middle-level and petty traders, artisans, craftsmen and peasant farmers;
- (vi) the reduction in the real value of wages, salaries and allowances and the uncertain and irregular payments of those;
- (vii) the drastic reduction and higher cost of the provision of essential public services like water, electricity, postal services education and health, and the regular breakdown in these;
- (viii) the rising wave of crimes and violence against persons and property;
- (ix) the generally poor harvests and the decline in the quantity of livestock;
- (x) the deteriorating ecological conditions, particularly aridity, desertification, erosion and flooding, promoted by particular forms of human activity.

It is very important to make a clear distinction between these primary symptoms of the current crisis, as they manifest themselves in the lives and livelihood of the people of Nigeria and its other features which may constitute secondary or tertiary symptoms; or immediate and remote factors and causes; or even merely parallel developments. This distinction is significant because it is only by identifying all these aspects, clearly

and distinctly, that we can begin to have a profile of this specific process of the break-down of an established order, which is what we are calling the crisis.

STRUCTURAL CONDITIONS

One of the features of the current economic crisis, which affects research on it, a feature which is not often noticed, is the way the number and lengths of speeches and statements by those running the government have greatly increased. The federal budget speeches before the onset of the crisis were often less than half in length to what they came to be afterwards. In addition to these, other lengthy official speeches and statements have come to be made much more often, dealing with the economy.

In the case of the present Federal Military Government, it issued early in 1984 a document defining its objectives, policies and programme known as *The Blue Book* (3), which largely deals with matters relating to the economic and social conditions of the country and their policies. This Blue Book, together with the speeches and interviews of the Head of State, Major-General BUHARI, the Chief of Staff Supreme Headquarters, Major-General IDIAGBON, of the Minister of Finance and a number of other ministers, provides a substantial body of information from which the Federal Military Government's conception of the nature of the current crisis can be deduced. (4)

An examination of most of these speeches, interviews and statements published up to now, would indicate that the Blue Book articulates the objectives, policies and programmes of this government most comprehensively, even though over most of the major sectors, specifically agriculture, industry, mining, construction, telecommunications, power, education and health, the articulation of these policies is prefaced by an explicit commitment to review these same policies.

This review seems to have started formally in September 1984, when the government appointed a number of study-groups to review these objectives, policies and programmes (5). Although most of these study-groups have submitted their reports, the extent to which the exercise has led to a revision of the Blue Book has not been made known, except in a few areas, through the announcement of the 1985 budget policy measures.

But from the nature of the powerful organised private business interests, that the government deliberately made predominant in these study groups, the direction of this revision, where it is being made, can be clearly guessed at since these same interests could be seen playing a determining role in the formulation and implementation of its objectives, policies and programmes from its very inception.

In fact, to remove any doubt as to the powerful role of organised and large-scale private business corporations in determining the outcome of this review of the governments objectives, policies and programmes, the Chief of Staff Supreme Headquarters, Major-General IDIAGBON told a luncheon meeting with the representatives of the Nigerian Association of Chambers of Commerce, the Manufacturers Association of Nigeria, and the

Nigerian Employers Consultative Association, the organs of multinational subsidiaries and their Nigerian business partners and agents, on Tuesday 13th November, 1984, that

«... the government recently empanelled seven study groups whose membership was drawn predominantly from the private sector, to examine the multifarious problems besetting the nation and evolve reasoned recommendation for their solutions» (6).

It is therefore very unlikely that the reports of these study groups will bring about a change in the conception of the nature of the current economic crisis to be found already in the Blue Book, and in the speeches and interviews of the Head of State and other top leaders and functionaries of the regime.

To facilitate our consideration of the scope and major elements of the government's conception of the crisis, the Introduction and Chapter I, of the Blue Book are reproduced at the end of this paper, as its Appendix A.

In the Introduction to the Blue Book, the government accused the civilian regime it overthrew with failure in four main areas, namely; (a) mismanagement of the economy ; (b) lack of public accountability; (c) intolerable suffering and general deterioration in the standard of living of the common man; and (d) insensitivity of the political leadership.

The detailed list of the failures constitute the government's diagnosis of the state of the nation as being a process in «a drift towards economic collapse and political chaos»; which made it necessary for them to take-over. These constitute the manifestations and symptoms of the crisis the nation was plunged into as seen by the government, and can be listed as follows:

- i) lack of financial discipline;
- ii) huge external debts ;
- iii) over-dependence on internal and external borrowing;
- iv) heavy budget deficits ;
- v) a weak balance of payments position;
- vi) kick-backs and other forms of corruption;
- vii) inflation of contract sums;
- viii) over-invoicing of imports;
- ix) smuggling;
- x) illegal dealings in foreign exchange;
- xi) forgery, fraud, embezzlement, misuse and abuse of office;
- xii) scarcity of food;
- xiii) galloping inflation;
- xiv) closure of factories;
- xv) unemployment;
- xvi) suffering of the masses while the leadership were wallowing in affluence;
- xvii) perversion of the electoral process threatening the stability and unity of the nation;
- xviii) damage to our reputation as a nation.

In paragraphs 2, 3, 11, 12, 15, 16 and 17 of Chapter I of the Blue Book, the government sets out what it considers to have been the specific processes in the Nigerian economy which created the structures and other conditions which only required the oil-glut and economic mismanagement to plunge the country into the crisis. These structural conditions for the current economic crisis are conceived by the Federal Military Government at several levels.

According to the government's conception:

«Two main features of the Nigerian economy have been observed in recent years, namely the country's over-dependence on oil as the main source of foreign exchange and government revenue, and the emergence of government as the prime mover of the economy. While the expansion of these two factors has brought about prosperity and significant improvement in economic well-being, their decline has led to economic recession and fall in the standards of living of the people».

And;

«The oil boom of the 1970s led to fundamental structural changes including a shift in the pattern of investment to the construction and service sectors, an increase in the importation of goods and luxuries and the neglect of the agricultural sector resulting in shortage of food supplies, high prices and a loss of the foreign exchange earnings which would otherwise have accrued from the agricultural sector. The oil boom also generated large population drifts from rural to urban centres thus creating a large class of people who consume but do not produce any material goods. Governments of the country by the large revenues, assumed a more pervasive role in the economy and virtually stifled the efforts of the private sector by their commitment to provide almost everything free to the people».

At the level of external trade, the government conceives the creation of these structural conditions for the crisis as follows:

«Of more concern is the pattern of imports since 1977 which has progressively shifted in favour of consumer goods, particularly food items as is illustrated by the table below:

TABLE A

Imports	Percentage Share of Imports	
	1977	1982
Raw Materials	23%	25%
Capital Goods	48. 2%	32. 8%
Consumer Goods	28. 5%	41. 6%

«The increase in the importation of food items was particularly large, averaging about 28% during the period compared with about 11% aggregate imports. The importation of rice reached an all time high in 1981 when payment for the item amounted to ₦301.0 million, an increase of ₦211.7 or 236.8% over the level in 1980. The continuing importation of food items such as rice helped to create uncertainty in the minds of local producers and constituted a serious hindrance to engaging in local food production, given the Nigerian propensity to import and declining revenue»

Other major structural causes for the current economic crisis, according to the government, are to be found in the low productivity of agriculture and industry which they ascribe to the following factors:

«Low productivity was manifested in the main sectors – agriculture, industry and services. Due largely to a combination of environmental, technological, inadequate planning and labour constraints, the agricultural sector was unable to meet the basic food requirements of the population and substantial amount of food have to be imported».

And:

«The over-dependence of the manufacturing industries on imported inputs – machinery, spare parts and raw materials – whose regular inflow has been disrupted due to the then foreign exchange crisis and structural problems in other sectors of the economy – especially agriculture and service industries – have resulted in the lack of desirable linkages with the manufacturing sector. The growth performance of the sector was subject to wide fluctuations... service industries such as electricity, transportation and water supply have failed to meet the needs of the economy either because of inadequate facilities or instability in the services rendered».

MIS-MANAGEMENT AND INDISCIPLINE

In addition to these structural causes which, according to the government, prepared the grounds for the crisis, the government sees as additional factors favouring the onset of the crisis particular policy measures and policy failures of the civilian regime, which they ascribe to what they term «mis-management and indiscipline». Among these policy measures and policy failures are that:

- (i) the government had committed themselves to the free provision of education and medical services and had started projects they could not complete with the resources they had;
- (ii) the inflation of contracts;
- (iii) the proliferation of political appointees;
- (iv) the over-reliance on oil as a source of government revenue and the refusal to exploit other sources and even the competition to abolish some fruitful revenue sources;

- (v) the incurring of huge budgetary deficits when faced with declining revenue;
- (vi) the resort to heavy internal and external borrowing;
- (vii) smuggling and other forms of illegal trafficking of currency, food and petroleum across the country's borders.

THE LAST STRAW: OIL-GLUT

In the conception of the nature and causes of the current economic crisis held by the present regime, these structural conditions bad policy measures and failures, required a precipitating factor to bring about the crisis. This last straw was of course, the oil-glut: According to paragraph 4 of Chapter I of the Blue Book this is what the government believes took place to plunge the nation head-long into the crisis:

«Since 1981 when the oil glut became a world-wide phenomenon, oil revenue which had constituted about 73% of total revenue collected by the Federal Government at the peak of the oil boom began to decline. For example, from a peak of ₦13,632 million in 1980, the value of exports of oil declined to ₦10,535.5 million in 1981 and ₦8,583.8 million in 1982. This resulted in the slow down of economic activities because the various governments that had controlled the economy were facing declining revenue. The effects of the oil glut were worsened by the economic mismanagement by governments of the Federation, giving rise to increase in budgetary deficits and acute shortages of foreign exchange reserves. The Federal Government, in its efforts to minimise the impact resorted to internal and external borrowing, trade and exchange control measures. . . While the measures stemmed the rise in imports, they resulted in shortages of industrial materials. Further consequences of this development were low productivity, unemployment, retrenchment of labour, intensification of inflationary pressure, smuggling, etc».

The significant role of «the oil-glut» and the policies that were applied fully or partially to deal with the decline in revenue and foreign exchange were brought out even more sharply in the World Press Conference of the Head of State on Thursday, 5th January, 1984, where he asserted that:

«The otherwise buoyant economy of the first two fiscal years 1979/80 and 1980 was allowed to run down through mismanagement. Not only was there an inadequate response to the global recession caused by the world-wide oil glut and the oil production crisis which beset OPEC member countries, but measures designed to curb Nigeria's vulnerability to the vagaries of the oil-market were applied in a half-hearted manner. The monetary and fiscal measures introduced under the Economic Stabilisation Act 1982 to boost local production of goods, improve foreign exchange reserves and make the economy more self-sufficient and self-reliant were not implemented in a manner in which they could have the desired effect». (7)

What the Head of State is saying is that even after this last straw, something could have been saved, if the policy measures introduced by the SHAGARI regime on 19th April, 1982, had been strictly applied by that regime itself.

In order to understand the nature and rationale of the economic recovery programme of the Federal Military Government it is necessary to fully appreciate that in this government's conception of the nature of the crisis, even the structural conditions for the crisis which they trace back to the onset of the oil boom at the beginning of the 1970s, could have been rectified, if the policy measures worked out in 1977 by the OBASANJO regime had been applied. This position of the government is clearly stated in paragraphs 20–21 of Chapter I of the Blue Book, where it is asserted that:

«Government policy since 1977 has been to achieve and maintain a healthy balance of payments position, reduce the rate of price inflation, accelerate the rate of domestic production, mobilise domestic savings, facilitate the expansion of domestic investment, raise the level of employment, and maintain social stability. To achieve these objectives a combination of monetary and fiscal policies and some direct controls were employed. The failure to achieve all of the objectives of these policies cannot be attributed to inappropriate policy measures. *The measures were generally in the right direction, but implementation was faulty due to corruption. There was a lack of sufficient will to implement the measures. Approach to policy was also faulty, being in the nature of stop-go, while the increasing role of government as the prime mover of the economy constrained the private sector and blunted the edge of policy.*» (My emphases).

This position of the present government must be kept in mind when we come to set out its economic recovery programme and contrast it, and its conceptual foundations, with that of the SHAGARI regime it overthrew.

FEDERAL MILITARY GOVERNMENT'S RECOVERY PROGRAMME

The economic recovery programme of the Federal Military Government is not as fully articulated in the Blue Book as is the conception of what factors caused the crisis. The basic elements of this programme can however be identified from Chapter II of the Blue Book, the statements of the top leaders and functionaries of the regime, particularly the 1984 and 1985 budget speeches of the Head of State (8), and from the policies being actually implemented by the local, state and federal tiers of government in the country right now. The following seem to be the major elements of this programme:

- (i) a high rate of the repayment of external and internal «debt» of the federal and state governments;
- (ii) increasing the rate and volume of internal revenue raised through the payment of taxes, fees and levies;

- (iii) overall reduction in government expenditure to avoid budget deficit, particularly the reduction of expenditure on the social services like education and health;
- (iv) freeze on wages and salary levels and a reduction in the total amount paid as wages and salaries in the whole economy through the elimination of allowances and large-scale retrenchment and freeze on new employment;
- (v) closer regulation and taxing of the economic activities for middle and petty traders, artisans and craftsmen;
- (vi) encouragement, support and promotion of the operations of the subsidiaries of multinational corporations in all sectors of the economy;
- (vii) promotion of large-scale private investment in agriculture through favourable credit incentives and land policies;
- (viii) commercialisation and/or privatisation of government parastatals;
- (ix) priority to the completion of projects in the areas of some basic industrial raw materials like sugar, paper and petrochemicals and a campaign to generally promote the use of local raw materials;
- (x) priority investment in power and telecommunication through the purchase of spare parts and expansion of facilities.
- (xi) deeper government involvement at the local, state and federal levels in commerce and distribution of many goods;
- (xii) greater coordination of budgeting particularly to control expenditure and foreign exchange disbursement closely at the federal level.

These twelve areas seem to cover almost all the major elements of the economic recovery programmes of the Federal Military Government as articulated in the statements of its top leaders and functionaries and demonstrated in the policies being implemented since it took power on 31st December, 1983.

Each major element of this recovery programme seems to be an attempt at tackling the structural causes and areas of mismanagement and indiscipline conceived by the government as constituting and causing the crisis.

The over-dependence on oil as a source of revenue is being tackled by imposing taxes, levies and fees on almost all areas of human activity to raise a higher proportion of internal revenue from outside the petroleum sector. The promotion of large-scale private investment into agriculture and other areas of production is intended to rectify the neglect of the agricultural sector, make the country self-sufficient on food and raw materials, and obtain foreign exchange through agricultural and other exports.

The so-called «pervasive role» of the government in the economy, which is said to have stifled and constrained private enterprise, is being reduced through the cut in the government expenditure in the social services, the privatisation of the parastatals and massive public sector retrenchments.

Financial, and other forms of discipline are imposed on the budget, the foreign exchange disbursement and all fiscal and economic transactions in order to save, conserve and strictly enforce policy measures, laxity about which is believed to have facilitated the crisis.

The rural-urban drift which produced expanding urban population of middle-level and petty traders, artisans, the marginally employed, the unemployed and the criminal gangs, is being tackled by physically driving these from the streets of the urban centres, through demolition, tax raids and exhortation to «go-back-to the land». The encouragement given to the subsidiaries of the multinational corporations like U.A.C., U.T.C. and S.C.O.A., to return to wholesale and retail trade, and the deeper government involvement with commercial distribution, is further ensuring that the petty trader and artisan is eliminated from the urban scene altogether, even if he survives the taxes, levies and demolition exercises, ostensibly in the name of environmental sanitation.

There can therefore be no doubt that the economic recovery programme of the Federal Military Government is derived from the government's conception of the nature of the current economic crisis and of the major factors that caused it. The degree to which this programme will succeed in bringing about the economic recovery depends therefore, on the extent to which the government's conception of the nature of the crisis and the factors that caused it, in themselves, represent a correct and realistic understanding of the crisis. This is what we have to examine now, having so far set out the Federal Military Government's economic recovery programme, and its basis, at some length.

THE ODAMA REPORT

In order to fully grasp the meaning and significance of the economic recovery programme of the present regime and its basis, it is necessary to compare it with the economic recovery programme of the SHAGARI regime which it over-threw.

By the end of 1982, it had become obvious that, after eight months of their implementation, the economic stabilisation measures instituted by the SHAGARI regime in April, 1982 were not tackling the crisis. The tightening and curbing of government expenditure and foreign exchange disbursement were leading to shortages of foodstuff and other essential commodities, unemployment, inflation and lowering productivity.

At the end of January, 1983, the National Economic Council established a committee of experts to review the economic problems facing the country and propose immediate and long-term solutions. This committee made up of special advisers, commissioners, permanent secretaries and other officials from the federal and state governments, and under the chairmanship of Dr. J.S. Odama, one of the two presidential economic advisers, submitted its report in February, 1983 (9). On the basis of this report, the National Economic Council made a range of recommendations to President SHAGARI. The Federal Government issued a white paper giving its views on these recommendations in June, 1983. (10)

This white paper was on the recommendations made to it by the National Economic Council, which somewhat differed in their emphases from the proposals of the ODAMA Committee. For, while the National Economic Council went along with the broad framework of the ODAMA Report, its own recommendations to President SHAGARI did not cover several of the areas touched upon in the report and somewhat diluted the emphases this committee of experts had placed on what they call «fundamental structural adjustments».

The ODAMA Committee's conception of the nature and causes of the crisis is perhaps most succinctly put in these words:

«One of Nigeria's present economic problems can be regarded as the effect of the world economic recession on the Nigerian economy. This world recession gave rise to the oil glut which very adversely affected Nigeria's crude oil sales. The immediate problem is, therefore that of shortfall in Government revenue and depletion of foreign exchange reserves. Simply put, we have a liquidity crisis... The present problem of the oil glut is a long term problem. Nigeria cannot hope to be able to market her crude oil up to the 1978/81 level even when the world economy recovers. Temporary solutions to the present economic problems will, therefore not suffice. Besides the crude oil problem, the foregoing raises the question of the role of the Government in promoting economic development. Successive governments have given varying degrees of priority to agriculture and industry though the results have not been sufficiently encouraging... But there has not been a break-through either in agriculture or in manufacturing industry. The apparently sound Government policies have not yet made the desired impact. The realisation of such impact will be deployed for long until the economy undergoes certain structural transformation». (11)

And:

«The Economic Stabilisation measures of 1982 and 1983 are primarily crisis management package. We recognise and accept the rationale and circumstances of the thrust of the measures... It is however important to keep in mind, and it's our belief, that a medium and long-term solution to our economic problem would require more than policies directed towards our immediate crisis. Our fluctuating economic fortunes in the last decade or so is a pointer to the vulnerability of our mono-economy. The economy is too fragile and hardly responsive to policy decisions within the system because of the dominance of the external sector. This character makes planning and plans ineffective because the dominant parameters in such plans are usually only sensitive to exogenous factors outside the control of policy makers. This painfully explains the limitations of our current policies directed towards the recession. We believe that what the economy needs is a fundamental structural adjustment directed primarily towards self-reliance». (12)

The basic strategy for this structural adjustment is :

«... to restructure our economic activity through improved incentive systems, priorities in government budgetting, etc... We need to rationalise production to increase the use of local resources, increase capacity and manpower utilisation and reduce unproductive activities. Above all we must improve planning and control systems through effective budgetting, monitoring, evaluation and enforced implementation of priorities». (13)

This strategy includes greater fiscal discipline, disengagement of the government from commercial business, more internal revenue, promotion of local raw materials and food production, and many of the measures which now form part of the present regime's economic recovery programme.

The ODAMA Report differs in its conception of the causes of the crisis from the regime's conception in two significant areas. It does not share in the granting of an alibi to the private sector, as one sector which was not allowed to play its full role in the economy because it was «constrained» and «stifled» by the government. The report is quite scathing in its assessment of what the private sector has made of manufacturing, where it says the government had given it all sorts of encouragements and incentives to develop. It observes that:

«Huge expenditure on infrastructural facilities was accompanied by incentives to the private sector to establish new industries or expand those already established. The incentives include approved user's scheme, granting of tax holidays and accelerated depreciation of capital. The Governments also invested considerably in the manufacturing sector both through joint-ventures with the private sector and through establishing state owned industries, especially for the production of intermediate goods. In spite of all these, the manufacturing sector has not made significant impact on the structure of the economy by way of contribution to Gross Domestic Product, provision of employment, foreign exchange conservation and promotion of wider and more effective linkage among the different sectors of the economy. High level of importation of capital goods and raw materials has not been accompanied with a high level of output or value added». (14)

Neither does the ODAMA Report share in the myth of the neglect of the agricultural sector. It categorically states that:

«High priority has been given to the development of the agricultural sector. The programme of 'Operation Feed the Nation' has been succeeded by that of «Green Revolution». Through these programmes the farmers have been given concrete assistance to expand their production. The assistance given includes supply of fertilisers and other necessary inputs and substantial increases in guaranteed minimum prices for most agricultural products, particularly the export crops, food crops and food grains. Special

development schemes have also been started. Dams and irrigation schemes have been embarked upon to improve water supply and facilitate all-season farming. All the same the very visible rural-urban migration, the phenomenal increase in the importation of food and the high level of prices for most food products all show that the agricultural development programmes are yet to make their impact. (15)

THE SHAGARI – BUHARI CONTINUITY

Such forthright positions of the ODAMA Report on the role of the private sector in causing the economic crisis and on the level and results of the high amount of public investment into agriculture, never found expression as official Federal Government positions, as far as this writer is aware. They remained the views of the committee of experts chaired by one of the presidential economic advisers, Dr. J.S. ODAMA.

If there was even any possibility of these positions becoming accepted by the Federal Government, this seems to have disappeared when President SHAGARI started his second term of office, in October 1983, with a new team of economic advisers. This new team made up of Mr. Gamaliel ONOSODE and Mr. Phillip ASIODU, both seasoned veterans of the boardrooms of Nigerian subsidiaries of multinational corporations and federal parastatals, was warmly received in the chambers of commerce, particularly by the upper echelons of the organised private sector.

In the first speech of his second term, the national day broadcast on Saturday 1st October 1983, President SHAGARI set out more clearly than ever before the long – term economic recovery programme he had for his second term (16). The major elements of this are almost exactly the same as those of the present regime, as is quite clear from even this part of the speech:

«In the light of this unfavourable economic situation we intend to re-appraise and re-order our priorities. The Federal Government's annual expenditure will therefore be rationalised to reflect the ordering of investment priorities with emphasis on consolidating viable on-going projects in agriculture and industries and the provision of infrastructural facilities... We will avoid entering into new commitments with high foreign exchange content. We will only give serious consideration to projects based on locally available resources, such as the petrochemical and LNG projects which will lead to the revitalisation and diversification of the economy. To bridge our yawning resource gap efforts at internal resource generation will be intensified. In this regard, the exploitation and usage of our local resources have become so important in our quest for self-reliance that it will receive priority attention... Unprofitable government ventures will be scrapped».

The continuity is even more striking in the approach to the issue of mismanagement and indiscipline, which the present regime has so stridently accused the SHAGARI regime of. In a speech at the National

Institute of Policy and Strategic Studies, at Kuru, on Saturday 29th October 1983, this is what the former President said, almost as if he was deliberately preparing the Nigerian public for WAI and the draconian decrees against economic sabotage and other such crimes. He said:

«First there is the urgent need for structural changes within the economy and any policies aimed at bringing about these changes should be on-going in nature. Secondly, we now need more than ever before a drastic change, in our social behaviours, in our attitude to work, to public probity and a concerted action to combat our social malaise... the garbage of corruption, fraud, and smuggling now so endemic, must be cleared. It is disturbing to see that fraud and corruption are found in the society generally. They are manifested in criminal deception, dishonesty, artifice, or tricks meant to benefit the perpetrators who include those who cheat in examination rooms, and falsify records. Others are those who adulterate commodities for sale and those who wilfully steal public property, just to mention a few. Besides corruption and fraud, Nigerians in collusion with foreigners also continue to smuggle prohibited goods into the country. They do this to avoid paying customs duty to the Government, thereby denying the nation of necessary revenue for development. Some also engaged in the despicable act of smuggling out scarce commodities and goods across our borders into neighbouring countries. This is not only a clear indication of contempt for government but also economic sabotage against the nation... Are our laws adequate in scope and content to combat these crimes? Are they being sufficiently implemented to deal with economic sabotage such as we experience through smuggling and currency fraud?» (17)

But even beyond the areas of policy prescriptions to deal with the crisis, we find that when we examine the SHAGARI's regime's conception of its nature, this conception is almost exactly the same as that of the present regime in almost all of the essential elements.

This is clear from the 1984 budget speech delivered by the former President on Thursday 29th December 1984, two days before he was overthrown. In this speech the former President defines the genesis of the crisis in terms very close to what we have found in the Blue Book of the present regime, even if slightly less explicitly. He stated that:

«In the 70s Nigerians rejoiced glibly about an oil boom. This was not without its adverse effects on the nation. Money was at that time said to be no longer a problem in the execution of projects. The effect of this oil boom hysteria resulted in many of our people abandoning farming and other stable professions that had helped to sustain the economy and earn foreign exchange. Many felt that it was no longer necessary to work in order to earn a living, certainly not on the farms and the like. Many of our people simply turned into contractors of all sorts. Some became «arrangers» suppliers, forwarding agents, and all sorts of agents and consultants of all types and description. Thus Nigeria came to depend

almost entirely on a single item namely oil, as a foreign exchange earner. Traditional export items such as cocoa, cotton, ground-nuts, palm kernels, etc, were no longer produced in sufficient quantity even for local consumption. Thus our whole life and our economic existence as a nation became closely tied to the vagaries of the oil market. Clearly this is a dangerous situation for any nation». (18)

When he turned to the strategy of economic recovery that he was to pursue in his second term, President SHAGARI proposed almost exactly what the Federal Military Government was to propose immediately after he was overthrown. He said:

«Given our present financial situation and the trends in the demand for oil, it is clear that a structural adjustment of the economy is imperative. To this end we have taken a number of measures. First, we have taken a hard look at the level and nature of Government expenditure. The 1984 Draft Estimates have been prepared to reflect this need. Secondly, I have directed that all government projects be classified into «core» and «non-core» categories. This is meant to establish priority rating of each project in the light of our present circumstances... Other measures being taken include diversification of revenue sources, reviewing the strategy of agricultural production so as to attain self-sufficiency in basic food and industrial raw materials, divesting Government of some holdings in selected corporations and companies...

During this period Government intends to secure a structural adjustment loan from the World Bank and a balance of payments loan from the International Monetary Fund. This is in addition to the rescheduling of our short-term trade debts recently concluded... out of the estimated foreign exchange earnings of ₦8.562 billion during 1984, 3.0 billion will be utilised in servicing our external loan commitments ...» (19)

And even in the area of the distribution of essential commodities, SHAGARI said that:

«... government will encourage the optimum use of the capabilities of well-established and reputable companies and organisations with a nation-wide network for the distribution of essential commodities...» (20)

As we have pointed out above, and even quoted from paragraphs 20–21 of Chapter I of the Blue Book to prove, the Federal Military Government does not shy away from the fact of the high level of continuity between their own economic recovery programme and that of the regime they overthrew. They, in fact, trace this continuity back to 1977, presumably when the OBASANJO regime imposed the first post civil-war austerity measures. What they accuse the politicians of, is corruption, mis-management and indiscipline; and of failure, through lack of will-power to implement correct policies, and not of having wrong policies.

The crucial issue for the people of Nigeria, however, is not just whether the present regime shares the same conception, strategies and policies with the regime it overthrew; but, whether these strategies and policies are capable of resolving the current economic crisis; and since they can only do this if they are based on a correct grasp of the objective realities of the country's economic crisis, the question to address ourselves to, is the extent to which they are so based. It is important to realise that if the diagnosis of a problem is mistaken the solution for the problem derived from that diagnosis is also going to be ineffective, and no amount of will-power can make it capable of resolving that problem. If the conception of the nature and causes of the current economic crisis held by the Federal Military Government is not based on a correct analysis of the true nature of this crisis, there is no likelihood that its economic recovery programme, derived from that particular conception, can bring about any genuine economic recovery, beyond temporary and partial fluctuations in one sector, or another of the economy. The issue facing the country would then be not one of how effective the present regime is in implementing its policies, but what should be the strategies and policies to replace them with and from what these should be derived? For, whatever else they may be derived from, these strategies and policies cannot hope to succeed unless they are based on a conception of the nature and causes of the crisis which captures its true and essential characteristics.

WRONG CONCEPTION

The conception of the nature and cause of the current economic crisis in Nigeria which forms the basis of the economic recovery programme of the Federal Military Government seems to be wrong on, at least, seven major grounds.

In the first place, it is not true that one of the main factors causing the crisis is that the agricultural sector in this country has failed to produce sufficient food and raw materials for domestic consumption and for exports, because it was neglected and deprived of investment and labour, which largely went into the construction and services sectors.

Secondly, it is not true that the phenomenal expansion of revenue and foreign exchange earnings from crude oil exports, by itself, generated a massive rural — urban drift which produced a huge unproductive section of the urban population, which would otherwise have been productive if the oil boom had not lured it away from the rural areas.

Thirdly, it is not true that the large revenue in foreign exchange from oil exports made the various sectors of the Nigerian economy so dependent on importation.

Fourthly, it is not true that the public expenditure on the social services, particularly education and health, constituted a burden on the economy which facilitated the crisis.

Fifthly, it is not true that the amount paid in wages, salaries and allowances, in the whole economy, constituted a significant factor in lowering its level of productivity and facilitating the crisis.

Sixthly, it is false to claim that the private sector in the Nigerian economy was constrained and stifled in its contributions to the economy by the «pervasive role» of the government.

Finally, it is not true that the economic crisis was precipitated in 1981 by the decline in government revenue and foreign exchange earnings from ₦ 13.6 billion in 1980 to ₦ 10.5 billion in 1981, down to 8.5 billion in 1982.

THE MYTH OF THE NEGLECTED AGRICULTURAL SECTOR

Let us start with the myth of the neglected agricultural sector which is supposed to have been deprived of capital investment and labour because the oil boom pushed agricultural exports into the backwater, and encouraged capital investment to go into construction and services.

The failure of the agricultural sector to provide sufficient food and raw materials for the economy, and for significant foreign exchange earnings, was clearly not because the oil boom led to its neglect in the area of investment. Yahaya ABDULLAHI has shown recently that public sector capital investment in agriculture rose from a total of ₦ 127.268 million in the period of the Second National Development Plan, 1970–74, to a total of ₦ 2.3 billion under the Third National Development Plan 1975–80, to about ₦ 8.8 billion under the current Fourth National Development Plan 1981–85. The issue, far from being one of neglect, is one of bewilderment as to where this massive amount of public capital investment actually went into. If it actually went into agriculture why did it not raise its productivity significantly and its capacity to provide adequately for the country's food and agricultural raw materials requirements? Table B below speaks for itself:

Table B: Public Capital Expenditure in the Agricultural Sector 1962–1985 (1)
(₦,000)

Year	Federal Expenditure	State Expenditure	Total Expenditure
1962–68 (2)	10.961	41.562	52.623
1970–74 (3)	34.023	93.263	127.286
1975–80	1 112.598	1 188.582	2 301.180
1981–85 (4)	5 400.00	3 427.531	8 827.531

Source:

- (1) «Comments on Press Briefing by Minister of Agriculture» by Y.A. Abdullahi, *New Nigerian*, 18/2/1985, p. 2.
- (2) *Actual Expenditure*.
- (3) *Estimate*.
- (4) *Includes Local Government Expenditure*.

As for labour, a country with a total land area of 98.3 million hectares cannot be said to suffer any shortage of labour in agriculture if, as recent as 1980, about 18.48 million of its labour force are employed in agriculture, making up 58.0 % of the total labour force. While this does not necessarily mean that wages paid in the agricultural sector are sufficiently high and comparable to attract productive labour from which

profitable agricultural enterprise may be pursued in all areas, it means that in spite of the large-scale rural-urban drift, the labour resources available for agricultural sector are, due to various reasons, actually under-utilised, except during a few peak periods of farming activity, which vary in the different ecological zones of the country.

RURAL-URBAN DRIFT AND PRODUCTIVITY:

There is no doubt that *one* of the factors that caused the large-scale movement of population from the rural areas to the urban areas in Nigeria since the end of the civil war, was the higher level of income in the urban areas. For example, it has been estimated that while per capita real income in the whole country rose from ₦115.00 per annum in 1973 to ₦159.00 per annum in 1979, the per capita real income of the peasant farmers was not only about half of that by 1979, but declined from ₦82.00 in 1973 to ₦81.00 in 1979. (21)

The extent of the gap between the peasant farmer's and the urban per capita incomes levels would no doubt have been narrower if the huge public capital expenditure sunk into agriculture, between 1973 and 1979 alone, had actually been realised in an actual process of domestic capital formation in the agricultural sector of the country's economy.

What the oil boom did was to make it *possible* for the Nigerian state to possess the surplus to invest in the agricultural sector. If this investment did not become realised in actual capital formation in the agricultural sector and therefore did not raise the productivity and income of the farming population, this was not because of the oil boom, but because of the factors that prevented the surplus invested from being realised as capital in the Nigerian agriculture. To blame the oil boom for the rural-urban drift is like blaming the rain-clouds for erosion.

Table C below, shows the insignificant proportion of gross fixed capital formation of around 1.6% that took place as land improvement between 1975/76 and 1979/80, in a country in which public capital expenditure in agriculture in that period was over ₦2.3 billion and a large proportion ostensibly into irrigation and other such investment in the improvement of agricultural land.

What is even more important to realise is that the assumption that the rural population that drifted to the urban centres would have been productive if it had remained in the rural areas is false.

Over large areas of this country there has been a growing shortage of farming land due both to ecological deterioration and to growth in population. It has been estimated that 52% of the peasant farming households in the country possessed less than one hectare of land. (22) Whether they live in the rain forest, or on the edges of the desert, such peasant households are not in a position to utilise any additional labour they get in farming, even with an improvement in the farming technology.

A major feature of the rural economy in Nigeria is the large-scale and pervasive unemployment and underemployment almost all the year round. Whether the labour force had remained in the rural

**Table C: Current Estimate of Gross Fixed Capital Formation
(Percentage Distribution) (1)**

ITEM	1975-76	1976-77	1977-78	1978-79	1979-80
1. Building & Construction	64.9%	62.9%	62.8%	52.3%	62.4%
2. Transport & Equipment	14.1%	17.6%	15.2%	19.6%	16.5%
3. Machinery	19.4%	18.4%	20.9%	29.6%	19.9%
4. Land Improvement	1.6%	1.1%	1.1%	1.5%	1.2%

(1) Source: Table 2.9, p. 19, Fourth National Development Plan 1981 –1985, Volume I, Lagos n.d.

areas, or drifted to the urban areas it would have remained largely unproductive. This was not because of the oil boom, or the glitter of city life, or easy money, but because a large proportion of capital expenditure in agriculture, whether public or private, is not realised in actual capital formation in agriculture, which would provide employment and raise productivity.

Finally, an important factor which disrupted millions of peasant households, rural craftsmen and herdsmen was the Great Sahelian Drought of the early 1970s, which coincided with the beginning of the oil boom in Nigeria and for which the government in Nigeria had no programme for recovery, rehabilitation and revival of the rural economy, beyond scattered famine relief. The latter was, in any case, largely misappropriated by local and state government notables.

The view that the oil boom created a large pool of unproductive labour in the urban centres which undermined the economy and facilitated, the current economic crisis is clearly false and misleading.

IMPORTATION OR EXPATRIATION?

The deepening dependence of most sectors of the Nigerian economy on large-scale and persistent importation, particularly since 1970, led to a situation in which, according to the Head of State, at his World Press Conference on Thursday, 5th January, 1984, out of every one naira about sixty-eight kobo is spent on import (23). This high level of import dependence on almost all sectors of the economy is said to be one of the major consequences of the oil boom and in the conception of the Federal Military Government, one of the main causes of the current economic crisis.

The availability of large foreign exchange reserves for a country certainly makes it easier for that country to import; but over a period of fifteen years it has enough time to either import things that will *reduce* its overall dependence on import or import things that will *worsen* its dependence on imports.

The surplus generated by the Nigerian state from petroleum rent, royalties, profits and taxation gave it the wherewithal and capacity to systematically reduce the import dependence of the country and in fact promote

the self-reliance of the whole of the African continent. The huge petrodollars available to Nigeria since 1970 created a most favourable condition for the country to rapidly expand its basic infrastructure, capital goods, intermediate goods and consumer goods industries, almost all at the same time, without imposing on the population a rate of savings which would reduce their standard of living. With these industries, the foundation for the advancement of the technology and productivity of the agricultural sector would by now have been firmly laid down. This grand historic opportunity was clearly recognised immediately after the successful conclusion of the civil war, and was articulated in the definition of the objectives and scope of the second National Development Plan, 1970–74, where it was proclaimed that:

«The country is fortunate in having the resource potential in materials and money to lay a solid foundation for a socio-economic revolution in black Africa». (24)

Quite clearly, what led to the over-dependence on imports, reaching the level of an economic hemorrhage within twelve years of this proclamation was the way and pattern in which these huge foreign exchange reserves were invested and the form the realisation of this investment took. Since the decisions regarding the mode and pattern of investment was not taken by the foreign exchange reserves themselves, or by all the people of Nigeria, it was the particular groups and individuals who ran the public and private sectors of the economy in these twelve years who are actually responsible for plunging the country into this massive import dependence. Most of these groups and individuals are still around often reigning, if not directly ruling, over both the public and private sectors whose gross import dependence they created by their actions and inactions. A basic political and psychological precondition for resolving this economic crisis is the clear-headed public comprehension of the scale and significance of their abysmal failure, which the attempt to blame the oil boom for our import dependence, or blame *all Nigerians* in general, is intended to hide and cover-up.

What is even more significant is that this process of massive importation was recognised as dangerous and yet was still allowed to continue and grow at a phenomenal rate.

As far back as Monday, 24th November, 1980, President SHAGARI said on his 1981 budget speech to the National Assembly that:

«... it will be dangerous to lure ourselves into a false sense of security because our monthly import bill which stood at a level of about ₦600 million at the beginning of this administration now runs at an average of ₦1 billion per month. If we therefore unwittingly erode this favourable reserve position the nation will be faced with balance of payments difficulties, with attendant ill-effects of inflation and falling standards of living». (25)

Why was it that in spite of this explicit awareness of the high rate of out-flow of the foreign exchange reserves at the highest level of the government, this out-flow increased? In fact, from a volume of ₦1.1

billion in October 1980 it rose to 1.5 billion in March 1982, a rise of almost fifty per cent. Table D below shows how this out-flow continued to rise with the country appearing almost completely helpless to do anything to control it:

Table D: Monthly Outflow of Foreign Exchange Through the Central Bank of Nigeria – October 1980 – March 1982

		(₦ Millions)
Year and Month		Monthly Outflow
1980		
1.	October	1,100.1
2.	November	1,068.2
3.	December	1,217.8
1981		
4.	January	1,237.0
5.	February	1,161.3
6.	March	846.5
7.	April	1,198.8
8.	May	947.2
9.	June	1,499.0
10.	July	1,194.0
11.	August	1,103.0
12.	September	1,398.0
13.	October	1,236.0
14.	November	1,347.0
15.	December	1,379.5
1982		
16.	January	1,314.5
17.	February	1,235.9
18.	March	1,545.9

Source: *Report of the Odama Committee on the State of the Nigerian Economy*, Table 7, Africa Development Vol. IX. No. 3., 1984, p. 109.

The crucial issue is why were the foreign exchange reserves of this country which had reached ₦5.5 billion in October 1980 drained away down to about 0.25 billion by March 1982, when the government was fully aware of this process and of its grave dangers.

In a public lecture on the responsibility for causing this crisis in April 1982, I raised the issue in a very specific way.

«... if the President was fully aware, at least as far back as Monday 24th November, 1980 that this rise in the import bill poses such a great danger to our economy why did he not exercise his powers to curb it? If he tried but could not curb it because some powerful forces within, or outside the country, prevented him from doing so why did he not alert the nation to such grave developments...» (26)

For, as I pointed out:

«He controls the Central Bank of Nigeria, and in addition, by virtue of the Federal Government's majority share holding, he also effectively controls all the major commercial banks operating in this country. The Federal Ministry of Commerce which alone issues licences for imports is controlled by him, while the Customs Department and the Nigerian Ports and Airports Authorities who control the physical movement of the goods into the country, are all the agencies of the federal government, under his authority and control. Moreover, the federal ministries, agencies, parastatals, and limited liability companies like the NNPC; the NNSC; NEPA; FCDA; FHA, Ministry of Agriculture and Water resources together, control the largest block of financial resources in the country and their decision on their expenditure determine the flow of imports, more than all the nineteen state governments or any private company, combined together... In terms of the calibre of expertise and experience of those working in the Government under the President, he has among the cabinet and special advisers alone: a former Governor of the Central Bank; two Professors of Economics, two top-level professional architects each with a doctorate degree; a senior advocate of Nigeria, and two former Vice-Chancellors... within the federal government, on the boards and committees of its companies and parastatals; and in the ranks of the Presidents supporters, within his party and outside it, is found a quantum of expertise and experience in government and business gained... without a break for over thirty-seven years, through all the colonial and post-colonial regimes of this period». (27)

The conclusion was a question:

«Without any doubt President Shehu SHAGARI has available to him the power, the institutions, instruments and the expert and experienced personnel with whom he could have curbed the drain on our external reserves. If he was fully aware of the danger this posed to our economy, as he clearly has been, why did he not curb it?». (28)

The answer to this question, as we shall see takes us into the real nature of what is called the importation process, beyond its legal and formal appearance, into its substance as an actual process of the transfer of wealth and of the forms of its realization.

THE PROFITABILITY OF THE SOCIAL SERVICES EXPENDITURE:

After having seen that importation into Nigeria is not an automatic process -- *the Nigerian propensity to import* -- but a result of specific decisions and processes, we can move to examine the conception held by the Federal Military Government of the role of government expenditure on the social services, particularly education and health, in ruining the economy.

In the first place there is no basis in fact or in law to describe social services provided to the people of Nigeria from their own resources as services provided *free*.

There is nothing free about them, as these resources, from which those services are paid, and most often over-paid for, are not the property of those groups and individuals who happen to control the government of Nigeria. Once the ideological distortion and misrepresentation involved in the notion of *free* social services, paid out of public funds, is set aside, we can move to the substance of the issue of the significance of public expenditure in the social service in causing the current economic crisis. The Federal Military Government makes a lot of this in the Blue Books and in the speeches of its leaders and functionaries, particularly in order to justify the cuts in education and health services and the imposition of fees. In fact it constitutes a major element in the government's conception of the economic crisis and in its economic recovery programme.

In order to determine whether high government expenditure on education and health contributed to causing the economic crisis, we have to establish whether the expenditure actually incurred by the government in these two social sectors went into providing these services, or whether these services were simply providing a convenient cover for those who control the government to make and enable their business patrons and partners also make huge profits.

A comparison of the actual public capital expenditure in education during the Second National Development Plan Period, 1970 – 74 with the actual rise in number of educational institutions built, and enrollment level attained, during the same period; against the actual public capital expenditure in education during the Third National Development Plan period, 1975–1980 and its similar physical achievements, will show us whether the public expenditure for education actually went for education or for massive private capital accumulation by those who control the Nigerian education industry. Table E below makes the comparison:. (29)

As you can see from the table, the total actual public capital expenditure in the education sector for the Second Plan Period was ₦254.579 million. In the Third Plan period this total public capital expenditure rose to ₦2.988 billion. Thus for each of the four years of the Second Plan the capital expenditure came to an annual average of ₦63,268 million; while for each of the five and a half years of the Third Plan the capital expenditure incurred came to an annual average of ₦543.278 million. Average annual capital expenditure thus rose between the two plan periods by over 800% (that is eight times) but the increase in the number of institutions and enrollment between 1975 and 1980 was barely over 100% (that is twice); even for primary schools, which are supposed to have taken the greatest share of the investment and whose figures are more doubtful. What happened to this massive capital expenditure into education? Obviously the rate of profit made in the education industry rose and is well-known in this country as the UPE bonanza.

Table E: Indicators of the Rising Rate of Profiteering in the Nigerian Education Industry: 1970–1980

Institution	Second National Development Plan: 1970/71 – 73 – 74		Third National Development Plan: 1975/80					
	Total Actual Public Capital Expenditure = ₦254.579 million		Total Public Capital Expenditure = ₦2.98 billion					
	1971/1972	1973/74	1975/76	1979/80				
	No. of Ins- titutions	Total Enroll- ment	No. of Insti- tutions	Total Enroll- ment	No. of Ins- titutions	Total Enroll- ment	No. of Insti- tutions	Total Enroll- ment
1. Primary Schools	15,324	3.8 million	14,523	4.7 million	21,223	5.9 million	35,300	12.7 million
2. Secondary Schools	1,234	343,313	1,499	448,409	1,513	704,977	2,908	1.1 million
3. Teachers' Colleges	—	—	157	46,951	250	123,527	260	247,478
4. Polytechnics	—	—	—	—	—	11,993	—	37,777
5. Universities	—	—	6	13,713	—	31,511	—	57,772

Sources:

Third National Development Plan, 1975 – 1980, Vol. I, Lagos, 1975–1980, pp. 25, 237, 240
and Fourth National Development Plan, 1980–1985, Vol. I, 1981, Tables 2, 18, 19, 2.

Far from education and health therefore consuming a disproportionate share of public expenditure, they are used as means of massive private capital accumulation and the investment the government makes into them from public resources is unproductive and damaging to the economy precisely because it sustains a high level of profits for parasitical construction and education supplies subsidiaries of the same multinational corporations the Federal Military Government is relying on to make the economy more productive.

WAGES AND SALARIES VERSUS PROPERTY INCOME

The UDOJI wages and salary increases in 1975 and the enactment of the national minimum wage in 1981 have been used to promote the view that one of the causes of the current economic crisis is the heavy burden of wages and salaries on the government and the private sector investor. It is argued that Nigerian workers and employees are generally overpaid and this has worsened with the oil boom, making for an unproductive economy..

A major element in the economic recovery programme of the Federal Military Government is the retrenchment, on a large scale, of workers from the public and private sectors and the freeze on employment in the public sector generally.

But this conception of the nature of the economic crisis and of what caused it has no basis in the objective processes of the Nigerian economy. If resources are being consumed, wasted or expatriated, and somehow not utilised productively in this country, most of these are resources realised through income from property. In fact, as Table F shows, the trend has been that wages and salaries constituted less than one-third of the total national income even since UDOJI, while property and related incomes have constituted well over two-thirds. This portion of the nation's total income going to property has now risen to over three quarters, from 72.4% in 1973/74 to 76.8% in 1982, in spite of the UDOJI and the SHAGARI awards, (See Table F).

If the Federal Military Government is seriously interested in addressing itself to the issue of how the country's resources can be utilised most productively, it has to address itself to the issue of how to ensure that the over 75% of the total incomes that goes to owners of property, including the government itself, is actually used productively to create capital for production in Nigeria, and not consumed or expatriated.

THE «STIFLING» OF THE PRIVATE SECTOR

The view that the private sector in Nigeria has not been allowed by «the pervasive role» of the government, which provided many things «free» to the people, to make its contribution is as false as it is astounding.

In the first place, as can be seen in the case of agriculture (Table B) and education (Table E) the massive capital investment by the government in these sectors has only fuelled private business activity, and promoted a rate of private capital accumulation by Nigerian businessmen and corrupt

Table F: Percentage of Labour and Property and Related Incomes in Nigeria, 1973/74 – 1982 (1)
(at 1973/74 values)

Type of Income	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980	1981	1982
1. Labour Incomes (2)	27.6%	31.1%	32.0%	28.5%	27.8%	27.2%	25.4%	24.5%	25.4%	23.2%
2. Property and Related Incomes (3)	72.4%	68.9%	68.0%	71.5%	72.2%	72.8%	74.6%	75.5%	74.6%	76.8%

Source:

(1) «Recent Pattern of Accumulation in the Nigerian Economy» by Bright Ekuerehare, Africa Development, Vol. IX, No. 1, 1984, Table 7, p. 69.

(2) Labour Income include Wages, Salaries, Employees Contribution to NPF and other Pension Schemes and other Labour benefits.

(3) Property and Related Incomes include Entrepreneurial Income, Interest, Dividend, Rents and Royalties.

public officers, equal, if not more, than the rate in any other country in the whole world. The rate at which millionaires, and even billionaires, in dollar and sterling, were produced by the Nigerian economy in the last fifteen years is the most obvious confirmation of the way in which, far from «stifling» the private sector, the government in Nigeria was its very fruitful milk-cow. Private enterprise and private accumulation in legal, semi-legal and illegal ways is the dynamo operating the Nigerian economy. The hundreds of reports of various commissions of inquiry testify and document this fact in graphic detail, from the area of petroleum to defence, construction, transport, education, manufacture, banking, and in fact all sectors.

Bright Ekuerhare has, in a useful computations he has made regarding the recent pattern of accumulation in Nigeria, established that, in the average annual growth rate of production activity, in various sectors, in the period 1973/74–1982, finance and insurance were the highest with 18.2%, followed by manufacturing (assembling) and then transport. (30) In all these areas, private sector ownership predominates.

In fact, as the Odama Report has indicated in its assessment of the disappointing level of performance of manufacturing in Nigeria, the private sector's role in the economy is central to the high level of import-dependence of the Nigerian economy, and of its low level of internal linkages and productivity; and, everyone would agree – its pervasive and deep-rooted corruption.

THE PRECIPITATING FACTOR

It seems to have become an article of faith with the governments of Nigeria and with most analysts of the economic crisis that what actually precipitated it was the decline in revenue and foreign exchange earning between 1980 and 1982. This decline was no doubt significant and would under any circumstances pose some problems to the economy.

But the question which the governments and most analysts and commentators do not often ask is, why did such a decline in the oil revenue cause such a catastrophic liquidity crisis immediately? The answer is simple: because of the increasing rate at which the disbursement of the country's foreign exchange reserves was being done.

As I have tried to explain with a simple analogy:

«We can compare the situation with what happens in a water tank. The volume of water in the tank, at any time is determined by the amount flowing into it as against the amount flowing out of it. But no matter how large the volume of water flowing into a tank is, if the rate flowing out of it is higher and keeps rising, the tank will become empty». (31)

As Table G below shows, the issue to be addressed is that of the explosive expansion in what Nigeria was paying for importation and *not* the decline in oil revenue whether we see it as due to the oil glut, or to the world capitalist depression.

Table G: Nigeria's Total Imports at Current Prices: 1974-1981

No.	Year	Total Value
1.	1974	₦ 1.72 billion
2.	1975	₦ 3.71 billion
3.	1976	₦ 5.12 billion
4.	1977	₦ 7.09 billion
5.	1978	₦ 8.35 billion
6.	1979	₦ 6.19 billion
7.	1980	₦ 9.09 billion
8.	1981	₦ 12.91 billion

Source: «*Report of the Odama Committee on the State of the Nigerian Economy*». Africa Development Vol. IX, No. 3, 1984, Table 6, p. 108.

The explosive nature of this trend in payments for importation has to be fully appreciated if we want to get to the essential characteristics of this crisis.

Between 1974 and 1979 the payments for these imports rose by about 500% (five times) from ₦1.72 billion to ₦6.19 billion. That took place during the military regime. In the next two years after that, the amount doubled from ₦6.19 billion in 1979 to ₦12.91 billion in 1981.

Thus, in the seven years between 1974 and 1981, the annual average rate of growth of what Nigeria was paying for merchandise imports was about 100%. That means it was doubling every year.

At this rate of growth of the annual foreign exchange disbursement of Nigeria the liquidity crisis which hit the government in March, 1982 would have taken place even if the decline in oil revenues in 1980-82 had not occurred at all. This is because the revenue and foreign exchange earnings were not, and could not match-up with this explosive rate of growth of the Nigerian payment for merchandise imports alone.

As Table H makes clear this rate of foreign exchange disbursement has generated a momentum of its own. When oil revenues declined between 1980-1982, the external debt incurred by the government rapidly rose by over 300% (three times) within two years. This is leaving out the equally rapid rise in trade credit.

Table H: Rate of Flow of Total Export Earnings of Nigeria and Rate of Increase of External Debt of the Federal and State Governments 1976-1983
(NAIRA)

No.	Year	Total Export Earnings	Total External Debt
1.	1976	6.75 billion	—
2.	1977	7.63 billion	—
3.	1978	6.05 billion	—
4.	1979	10.37 billion	1.61 billion
5.	1980	14.69 billion	1.86 billion
6.	1981	10.87 billion	2.33 billion
7.	1982	8.72 billion	7.36 billion
8.	1983	7.61 billion	10.21 billion

Source: Same as Table G, p. 106 and «*The Green Paper on the State of the Nigerian Economy*», Africa Development, Vol. IX, No. 3, 1984, p. 121.

If we want to grasp the factor that precipitated the crisis we have to look beyond the decline in oil revenue into the reason for the high rate of the growth in the payment of importation, in the first place.

Even compared with other oil-exporting countries, Nigerian costs had become much higher and excessive. In the area of construction into which so much of the investment of both private and public sectors went, the Ministerial Committee on the causes of the Excessively High Cost of Government Contracts in Nigeria, reported in 1980 that:

«The Committee which has made an indepth study of the cost structure of the construction industry in Nigeria has come to the conclusion that Nigeria's costs are relatively higher than in other countries. The studies in Kenya and Algeria revealed that our costs are about 200 per cent that of Kenya and 130 per cent that of Algeria». (32)

The same committee discovered that the unit cost of irrigation schemes in Nigeria compared with three other West African countries by the order of magnitude as shown in Table I.

Table I: Unit Cost of Irrigation Scheme in West Africa 1977-78 (1)

(Naira)

No.	Country	Cost of Complete Irrigation Schemes Per Hectare
1.	Liberia	250.00
2.	Ivory Coast	500.00
3.	Ghana	1,068.00
4.	Nigeria	2,470.00
	(Bakalori)	7,540.00

(1) **Source:** *Report of the Ministerial Committee on the Excessively High Cost of Government Contracts in Nigeria*, Lagos, 1981, p. 13.

It is a significant indication of the trend in these costs that the Bakalori Irrigation Scheme, which was still being completed when the report was written had a unit cost of ₦7,540.00 over 200% the standard Nigerian cost. The contract for this irrigation scheme was first signed with Italian companies in 1975, for completion in March 1980, at a total cost of ₦159 million with a high foreign exchange component of over 50% (33). By January 1980 the total cost was ₦350 million. Almost all the major capital projects involved these sorts of excessively high unit costs compared to almost all parts of the world and also had a high foreign currency component in the payment.

We should set this against the revelation by the former Managing Director of the IBWA, Mr. O. OLASHORE in 1983 that out of the ₦11.9 billion Nigeria used to pay for her imports in 1981, the actual value, (without the specially excessive and open fraudulent charges and margins) would have been ₦2.97 million (35). Nobody has challenged this computation since it was made and Mr. OLASHORE is still in banking, as Managing Director of the much larger First Bank of Nigeria, and is still talking regularly.

From all the information available regarding the actual operation of the import trade and the foreign exchange transactions of Nigeria, and from the amount of wealth accumulated by Nigerian public officers and businessmen abroad, the explanation for the high rate of payments for imports and all other developments connected with it is that importation is simply a means of expatriation of surplus generated in Nigeria, for investment abroad. It is believed to be more secure abroad given the fact that most of it was obtained through the open looting or manipulation of investment of public funds and other economic operations of the Nigerian State.

CONCLUSION

On the seven grounds set out above, it is clear that the conception of the nature and causes of the current economic crisis held by the Federal Military Government and which forms the basis of its present economic recovery programme, is erroneous at a fundamental level. And because of this fallacious and erroneous basis, it prevents the Federal Military Government from coming to grips with the real nature, and basic causes, of this crisis, and therefore of working out and implementing strategies and programmes capable of resolving it.

The erroneous basis of their conception of the nature and causes of the crisis is located, in particular, in its failure to comprehend the crisis as one of expatriation of capital caused by a distinct pattern of accumulation within the Nigerian economy, and through the specific ways this economy has come to be subordinated to the economies of the metropolitan capitalist countries, since it came to generate large petrodollar surpluses from the rents, royalties and profits the Nigerian State earned from petroleum exports, within the last fifteen years.

Instead of grasping this essential characteristic of the current economic crisis, and on the basis of it working out strategies and programmes with which to mobilise the people and the natural resources of the country to transform this structure of domestic accumulation and of expatriation, the Federal Military Government focusses on other very superficial aspects of the crisis like importation of raw materials, rural-urban population drift and budget deficits; while the process of expatriation, now through *debt-servicing*, becomes deeply entrenched and a virtual hemorrhage of the life-blood of the economy. (36)

It is important to realise that the depression in the metropolitan capitalist economies beginning from the early 1970s, only intensified the growth of this process of expatriation of capital from Nigeria. It did this through the compensatory mechanism imperialism operates to make-up for declining profits in the metropolis by raising the rate of profits from the dependent economies. The Cement Armada of 1974-76 which almost wrecked the Nigerian economy and facilitated the ending of military rule in 1979, was an example of the crude operation of this mechanism, as I have attempted to show elsewhere. (37)

Now, the process of expatriation in Nigeria has been taken to such a level, and has become so entrenched through a debt syndrome, that even the recent recovery in the metropolitan capitalist economies is only worsening the crisis here; as the Federal Military Government squeezes out almost every kobo from the country to pay for debts, which were simply used to facilitate the earlier phase of this expatriation and which were therefore not genuine, but which apparently have to be «honoured» in order to keep the credit lines of subsidiaries of the multinational corporations and banks operating in Nigeria open.

Since about 1981, the rate at which the surplus generated in this country was being expatriated and invested, or consumed abroad, has become so high, that not only has actual capital formation virtually stopped in any significant sense, but even the replacement of depreciated capital stocks has virtually stopped. In fact, to sustain this rate of expatriation, the Federal Military Government is cutting down the standards of living of the people through cuts in their income, inflation, taxes and levies and through reduction or cessation in the social services.

It is very important to realise that these cuts and taxes were not just simply to save public expenditure in order to invest the little available in productive enterprise. If it were so, the Federal Military Government would have attempted to cut down the major areas in which public funds are drained (cost of construction) to at least bring them down to the level of Algeria, where they are less than half of our costs. Instead of doing that, although all investigations have shown how massive this inflation of construction costs is, the government's policy is as set out by the Chief of Staff Supreme Headquarters in December last year :

«The total value of all projects being handled by the Federal Ministry of Works and Housing is in the billions of naira. These are no small projects by any standards. Their realisation involves huge capital outlays in machinery, as well as in material and men. In some projects because of special technologies required, such projects cannot be carried out on direct labour basis. It is therefore evident that Government will continue to use the services of competent and experienced contractors in the construction industry. The problem of the civilian administration was the patronage it gave to mushroom contractors who had neither the experience nor the means to carry out such projects. Against technical expert advice these «emergency contractors» were awarded contracts far beyond their experience, competence, and ability to conclude satisfactorily. It was this category of contractors that failed the nation most... Given a better scrutiny of tenders and the commitment to the use of only experienced and competent contractors the grave abuse of the past will be greatly reduced if not completely eradicated» (38).

How can the costs of construction in Nigeria which are 200 % higher than Kenya and 130 % higher than Algeria be brought down to save public resources merely by greater «scrutiny» by tenders boards before awarding contracts to the same large foreign contractors whom the Essang Committee accuses of zoning the country and who actually get most of the construction contracts in terms of value, even if not number? How can the unit

of cost of irrigation, a major policy of the government in the priority agricultural sector be brought down to even the Ghanaian level, without a transformation of the construction industry ?

Neither is the massive drainage of foreign exchange reserves through the importation of c.k.d. parts for vehicle assembly being tackled, even though it is very obvious that bare spare parts to keep some of the existing vehicles on the road, is the great priority in the road transport sector.

One can cite so many other examples besides the areas of debt-servicing, contracts, cost of construction projects, and importation of c.k.d. parts for vehicle assembly, to show how the economic recovery programme of the Federal Military Government is entrenching the very forces and processes that caused the crisis.

The alternative to their conception of the nature and causes of the current economic crisis is both implicitly and explicitly contained in the treatment above. The basis for an alternative economic recovery programme, derived from a correct conception of the objective reality of the crisis, is also to be found there, and in the specific strategies, programmes and policies earlier proposed by a workshop in which this writer participated, which took the form of: *The Green Paper on the State of the Nigerian Economy* (39), produced in October 1983, and still valid and superior to what is being inflicted on us in the form of the Blue Book.

But the White Paper of June 1983, the Green Paper of October 1983 and the Blue Book of January 1984, should not constitute the economic recovery programme of a nation which genuinely wants to overcome such a grave and far-reaching crisis. Such a programme has to be worked out, using alternative proposals to begin with, by the conscious and organised popular institutions, made up in every locality and working place, by the productive population of the country, who alone possess the capacity and will to save it and to genuinely and resolutely overcome the current crisis.

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 - (ii) «Errors and Evasions: The Economic Crisis and the New Nigerian Special Correspondent», *New Nigerian*, 21st and 22nd May, 1982, p. 5, pp. 5/12.

- (iii) «Middlemen Consultants, Contractors and the Solutions to the Current Economic Crisis», Ife Lecture Series, No. 1, The Post-Graduate School, University of Ife, Ile-Ife, Monday 23rd January, 1984, *New Nigerian*, 30th January 1984 – 2nd February, 1984.
- (iv) «An Assessment of the 1985 Budget», *New Nigerian*, Tuesday 8th, January, 1985, pp. 2–5.
- (v) «Education and the Current Economic Crisis: Basic Issues and Basic Choices», Public Lecture, College of Education, Sokoto, Friday 11th January, 1985, *Sunday New Nigerian*, 20th January, 1985, pp. 7, 14. Others on the nature and analysis of the causes of the crisis available include:
 - (a) «The Cause of the Depression in the Nigerian Economy» by Eskor Toyo, *Africa Development*, Vol. IX, No. 3, 1984, pp. 28–39.
 - (b) «Nigeria's Economic Crisis: Structural Origins and Social Foundations and Policy Options» by A.W. Obi, *Ibid*, pp. 40–52.
 - (c) «The Deepening Economic Crisis and its Political Implications» by Yusuf Bangura, Rauf Mustapha and Saidu Adamu, *Ibid*, p. 53–74.
- 3. The existence of this document was announced by the Head of State, Major General Muhamadu Buhari, in his broadcast on their first one hundred days in office, *New Nigeria*, 14th April, 1984, pp. 3–6. The *New Nigerian* published the document under the title of «Objectives, Policies and Programme of the FMG», *New Nigerian*, 18th, 19th and 20th June, 1984.
- 4. These are quite numerous and are to be found published, often the full text, in various newspapers and magazines. The most recent body of such information are the ministerial press briefings which the *New Nigerian* has been serialising.
- 5. See the *Guardian*, 11th and 14th September 1984 for their composition and terms of reference.
- 6. *Daily Times*, 16th November, 1984, p. 3
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- 9. Its full title is *The National Economic Council (NEC) Expert Committee Report on the State of the Nigerian Economy*, Federal Ministry of National Planning, Lagos, February 1983. Full text has been published in *Africa Development: Special Issue on Nigeria*, Vol. IX, No. 3, 1984, pp. 75–115.
- 10. This White Paper was serialised in the *New Nigerian* 4th–6th July 1983 and its full contents are incorporated in: *The Green Paper on the State of the Nigerian Economy*, which sets out alternative strategies and policies on each of the 105 points in the White Paper. For a full text of this see *Africa Development: Special Issue on Nigeria*, Vol. IX, No. 3, 1984, pp. 116–161.
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30. «Recent Pattern of Accumulation in the Nigerian Economy» by Bright O. Ekuerhare, *Africa Development*, Vol. IX, No. 1, 1984, pp. 56–70.
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33. «The Political Economy of the Planning of the Bakalori Irrigation Project, 1974–1980» by Okello Oculi, in *Political Repression in Nigeria: 1979–1981*. edited by Y.B. Usman, Zaria, 1982, pp. 99–100.
34. *Ibid*. p. 100.
35. *Business Concord*, 21st October 1983.
36. In a recent interview published in the *Guardian* of Sunday 10th March, 1985, the Head of State said that this rate of debt servicing will rise to 60% of total foreign exchange earnings by 1987.
37. See «Middlemen, Consultants, Contractors ... cited in Footnote No. 2 above and *The Central Role of Corruption in a Dependent Capitalist Economy: The Nigerian Experience*. NISER, Public Lecture Series, University of Lagos, Lagos, Thursday 5th May, 1983 (to be published by NISER, Ibadan, Nigeria).
38. See the Chief of Staff Supreme Headquarters exclusive interview with Achike Okafo and Theresa Ogbuibe, *Sunday Times*, 2nd December, 1982 and 9th December, 1984.
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APPENDIX A

The Blue Book (extracts from: the objectives, Policies and Programmes of the Federal Military Government, New Nigerian 18–19th June 1984)

«The Nigerian Armed Forces intervened and took over the government of Nigeria to halt the drift towards economic collapse and political chaos, turn the economy around and give the nation a new lease of life and a purposeful sense of direction. The failure of the civilian administration and the problems confronting our country were identified in four main areas:

- (i) Mis-Management of the economy – lack of financial discipline; huge external debts: over-dependence on internal and external borrowing; heavy budget deficits and a weak balance of payment position.
- (ii) Lack of public accountability – indiscipline; kick-backs and other forms of corruption; inflated contract sums, over-invoicing of imports, smuggling; illegal dealings in foreign exchange, forgery, fraud and embezzlement, misuse and abuse of office, arsons, etc...
- (iii) Intolerable suffering, and general deterioration in the standard of living of the common man – scarcity of food and galloping inflation; closure of factories which were unable to obtain import licences for their raw materials while such licences were issued to the wrong people; unemployment; and
- (iv) Insensitivity of the political leadership – suffering of the masses while the leadership were wallowing in affluence; the unity and stability of the nation were severely threatened by the widespread perversion of the electoral process, and the incalculable harm which the politicians had done to our reputation as a Nation.

Unity

2. The main policy objectives of this Administration are to: – (a) maintain national unity and stability; (b) give the nation a better and more purposeful sense of direction; (c) embark on prudent management of the available resources and diversification of the economy; (d) achieve self sufficiency in the production of the major staple food commodities ; and essential raw materials within a targeted period; (e) create more job opportunities; (f) re-phase development projects involving large foreign exchange commitments; (g) clean the society of the cankerworm of pervasive corruption; (h) maintain law and order and ensure the security of life and property; (i) encourage the development of improved work ethics among the Nigerian workers ; (j) check the activities of hoarders, smugglers, currency traffickers and all other social and economic saboteurs.

3. The Federal Military Government will re-appraise, on a continuing basis, the policies of the defunct civilian administration and adopt policies and programmes which pay greater attention to the following: (a) prudent management of the economy to ensure its early revival; (b) punishment of corrupt officials and their agents to ensure public probity; (c) importation of essential good items to supplement the shortfall in local food production, having regard to the prevailing scarcity and the drought which affected most parts of the country; (d) improvement in the quality of life of all Nigerians, particularly the masses; (e) discipline and accountability in our body politic; and (f) security of life and property.

4. However good a programme may be, it requires to be faithfully and effectively implemented if the desired results are to be achieved. The Federal Military Government has therefore directed that Ministries should be re-organized, as necessary, to provide the machinery for implementing their prescribed policies and programmes, set up units to monitor implementation and devise effective means of measuring achievement

at suitable intervals. The Military Administration, not being constrained by a pre-occupation with electoral promises and gains, possesses sufficient will to implement approved policy measures.

5. All areas of waste must be eliminated. To this end: (a) all Ministries, Departments and Parastatals are required to carry out yearly personnel audits to eliminate «ghost» workers; (b) all Ministries, Departments, Parastatals and Government-owned companies are required to submit annual reports of their activities, including audited accounts of their income and expenditure, not later than three months after the end of each financial year; (c) every effort must be made to reduce recurrent expenditure by at least 25 %. This level of reduction will be reflected in the Estimates of each succeeding financial year; (d) the high cost of government projects must be curtailed. Renewed emphasis will be placed on the exploration of new sources of revenue; (e) parastatals will be encouraged to devise effective debt-collecting measures and be increasingly self-financing through a progressive reduction of government subsidy.

CHAPTER I – NIGERIA'S ECONOMIC & FINANCIAL OUTLOOK

This document contains the policies and programmes of the new Administration. But first, a review of the state of the economy.

2. Two main features of the Nigerian economy have been observed in recent years namely, the country's over-dependence on oil as the main source of foreign exchange and government revenue, and the emergence of government as the prime mover of the economy. While the expansion of these two factors has brought prosperity and significant improvement in economic well-being, their decline has led to economic recession and a fall in the standard of living of the people.

Sectors

3. The oil boom of the 1970s led to fundamental structural changes including a shift in the pattern of investment to the construction and services sectors, an increase in the importation of goods and luxuries and the neglect of the agricultural sector resulting in shortage of food supplies, high food prices and a loss of the foreign exchange earnings which would otherwise have accrued from the agricultural sector. The oil boom also generated large population drifts from rural to urban centres thus creating a large class of people who consume but do not produce any material goods. Governments of the country encouraged by the large revenues, assumed a more pervasive role in the economy and virtually stifled the efforts of the private sector by their commitment to provide almost everything free to the people.

4. Since 1981 when the oil glut became a world-wide phenomenon, oil revenue which had constituted about 73 % of total revenue collected by the Federal Government at the peak of the oil boom began to decline. For example, from a peak of ₦ 13,632 million in 1980, the value of exports of oil declined to ₦ 10,535.5 million in 1981 and ₦ 8,583.8 million in 1982. This resulted in a slow-down of economic activities because the various governments that had controlled the economy were facing declining revenue.

The effect of the oil glut was worsened by economic mismanagement by governments of the Federation, giving rise to increase in budgetary deficits and acute shortages of foreign exchange reserves. The Federal Government, in its efforts to minimise the impact, resorted to internal & external borrowings, and trade and exchange control measures. While these measures stemmed the rise in imports, they resulted in shortages of essential consumer goods and industrial materials. Further consequences of this development were low productivity, unemployment, retrenchment of labour, intensification of inflationary pressures, smuggling, etc...

Public Finance

5. The governments of the Federal Republic of Nigeria based their budgets almost solely on anticipated revenue from oil. Expenditure was raised to match increased

revenue and reduced following a decline in revenue. Most of the State Governments made less efforts to generate and exploit new sources of revenues, and even competed among themselves to abolish well-known and fruitful sources of internal revenue.

6. State Governments presented large budgets ostensibly to impress the electorate. Some Governments budgeted for free education at all levels, free medical services, proliferated the establishment of polytechnics and universities and proposed or even started projects which they could not possibly expect to execute having regard to all the resources at their disposal within a budget period. Recurrent expenditure also escalated in the past four years because of a proliferation of political appointees at all levels of government. There was evidence of gross inflation of job contracts, lack of probity and non-accountability on the part of public office holders.

7. In 1979, the Federal Government recorded a surplus of ₦ 1,461.6 million. But there was a deficit of ₦ 1,975.2 million in 1980 and estimated deficits of ₦ 3,902.1 million and ₦ 6,178.6 million in 1981 and 1982 respectively. With respect to State Governments, available data for 1980–1982 showed that their combined budgetary deficits rose from ₦ 3,882.6 million in 1981 to ₦ 5,373.1 million in 1982.

Percentage share of Imports

Imports	1977	1982
Raw material	23	25
Capital goods	48.2	32.8
Consumer goods	28.5	41.6

8. The continuing increases of budgetary deficits were financed by both internal and external borrowings. The internal borrowings which were largely from the Central Bank necessarily increased the inflationary pressure on the economy. The maintenance of monetary stability by the Central Bank became illusory since it is only the proportion of money supply for which the private sector is responsible that is amenable to Central Bank's control.

9. Another factor in government expenditure was that no provision in the form of «stabilisation fund» for the rainy day was made. Rather, all revenues accruable to the Federation Account were completely shared out.

Balance of Payments

10. The value of the country's imports was ₦ 12,565.5 million in 1982. This was higher than the value of imports for 1977 and 1980 by ₦ 5,471.8 million and ₦ 3,469.9 million respectively. As a result of the imports policy adopted, in times of oil boom, there was import liberalisation. However, after a down-turn in oil exports, imports usually take a longer time to adjust. This stickiness of imports to downward adjustment gave rise to problems like rapid accumulation of short-term credits, the rush for other forms of external financing, over-invoicing, etc...

11. Of more concern is the pattern of imports since 1977 which has progressively shifted in favour of consumer goods, particularly food items.

The increase in the importation of food items was particularly large, averaging about 28 % during the period compared with about 11 % aggregate imports. The importation of rice reached an all time high in 1981 when payment for the item amounted to ₦ 301.0 million, an increase of ₦ 211.7 million or 236.8 % over the level in 1980. The continuing importation of food items such as rice helped to create uncertainty in the minds of local producers and constituted a serious hindrance to engaging in local food production.

12. Given the Nigerian propensity to import, and declining revenue from oil export, it became inevitable that the country would face foreign exchange reserves

problems particularly as there appeared to be ineffective management of the reserves. It is not surprising that there were excessive external borrowings or commitments, which in 1982 stood at ₦ 5,341.2 million.

13. A number of problems have emerged from the enormous growth in external debt, including increased debt burden, structural shift in its composition, harder borrowing terms and inadequate control and co-ordination. The ratio of reserves to external debt outstanding indicated an increasing debt burden. The ratio was 41.1 per cent in 1982 compared with 435.7 and 265.9 per cent in 1977 and 1980 respectively. The debt service ratio which stood at 0.8 % in 1977 has since risen to 4.6 per cent and 8.9 per cent in 1981 and 1982 respectively.

Smuggling and Dumping

14. Smuggling has become endemic in the Nigerian society. Initially, smuggling was associated mainly with unlawful importation of prohibited goods, but within the past few years it has manifested itself in various other forms e.g. illegal currency trafficking; smuggling of food items, petroleum products and minerals across the country's borders and arms and drugs peddling. There is need to constantly emphasise the adverse effect of this phenomenon on the Nigerian economy in order to elicit appropriate solutions. Smuggling causes loss of revenue to Government. Inferior goods are dumped in the country; local industries are stifled; consumer items required in the country are taken out; the distribution of incomes and the allocation of resources are distorted; the unemployment situation worsens; industries produce below capacity, etc...

Low Productivity

15. Low productivity was manifested in the main sectors: agriculture, industry and services. Due largely to a combination of environmental technological inadequate planning and labour constraints, the agricultural sector was unable to meet the basic food requirements of the population and substantial amounts of food to be imported.

16. The over-dependence of the manufacturing industries on imported inputs — machinery spare parts and raw materials — whose regular inflow has been disrupted due to the then foreign exchange crisis and structural problems in other sectors of the economy, especially agriculture and service industries, have resulted in the lack of desirable linkages with manufacturing sector. The growth performance of the sector was subject to wide fluctuation. For instance about half of the 15.6 per cent rate of growth during the period 1977–83 was achieved in only one year — 1979. The high cost of production in the sector has also not been matched by a high standard of quality and this contributed to make locally manufactured goods less competitive with imported goods.

17. Service industries such as electricity, transportation and water supply have failed to meet the needs of the economy either because of inadequate facilities or instability in the services rendered. Many industries and individuals had to install private generating plants and to sink boreholes, thus exacerbating foreign exchange out-flows.

Inflation

18. Inflation remained a source of major concern to the economy. The price increase ranged between 20.8 % in 1981 and 7.7 % in 1982. Inflation has been caused by a number of factors: inadequate supply capacity, serious foreign exchange problems and large increases in money supply following excessive government spending, poor market research, etc...

Unemployment

19. Although reliable statistics of unemployment are not available, the unemployed include not only secondary school leavers but also graduates of universities and

other institutions of higher learning. The unemployment of a growing number of graduates poses a serious social problem.

Policy Implementation Problems

20. Government policy since 1977 has been to achieve and maintain a healthy balance of payments position, reduce the rate of price inflation, accelerate the rate of domestic production, mobilize domestic savings, facilitate the expansion of domestic investment, raise the level of employment and maintain social stability. To achieve these objectives, a combination of monetary and fiscal policies and some direct controls were employed.

21. The failure to achieve all of the objectives of policy cannot be attributed to inappropriate policy measures. The measures were generally in the right direction but implementation was faulty, mostly due to corruption. There was a lack of sufficient will to implement the measures. Approach to policy was also faulty, being in the nature of stop-go, while the increasing role of government as the prime mover of the economy constrained the private sector and blunted the edge of policy weapons.

RESUME

Trois grandes parties constituent cet article. Dans la première, l'auteur examine la conception que l'actuel gouvernement militaire se fait de la crise. Dans la deuxième partie, il cherche à savoir si cette conception constitue une base suffisamment correcte et réaliste capable de produire un diagnostic valable de la crise. Dans la troisième et dernière partie, l'auteur propose une base plus réaliste pour comprendre les principales caractéristiques de la crise au Nigéria afin de mettre en place des stratégies et des programmes d'exécution corrects et aptes à la résoudre.

Dans la première partie, l'auteur note que la crise que traverse le Nigéria est due aux mesures et échecs politiques suivants du gouvernement civil déchu: (1) ce gouvernement a initié des projets qu'il ne pouvait pas terminer avec les moyens dont il disposait; (2) les retombées de l'inflation sur les contrats; (3) la prolifération des nominations politiques; (4) l'excès de confiance en la production de pétrole comme source des revenus du gouvernement et le refus d'explorer d'autres voies; (5) l'existence de gros déficits budgétaires inhérents à toute baisse des revenus; (6) le recours à de gros emprunts, internes et externes à la fois; (7) la fraude ainsi que d'autres formes de trafics illégaux de monnaie, d'aliments et de pétrole aux frontières du pays.

L'auteur estime que ce sont là des causes erronées parce que partant d'une base fautive. En effet, les autorités militaires n'ont pas compris que les causes profondes de la crise résidaient dans l'expatriation des capitaux. En réalité, le gouvernement militaire ne s'est attaqué qu'aux causes moins importantes telles que l'importation des matières premières, l'exode rural et urbain et les déficits budgétaires. Pour l'auteur, les alternatives à la conception actuelle des causes de la crise au Nigéria ainsi qu'aux stratégies actuellement mises en œuvre sont celles consignées dans le «Green Paper on the State of the Nigerian Economy» publié en Octobre 1983. Dans tous les cas, de telles alternatives devront être menées par des institutions populaires consciencieuses et organisées, installées dans toutes les localités et lieux de travail par la population productive du pays.

A CASE STUDY OF STABILIZATION MEASURES IN NIGERIA

By

*Akinola A. OWOSEKUN**

INTRODUCTION

Implicit in a stabilization programme is the notion that an economy which had in the immediate past experienced economic prosperity has fallen captive – hopefully temporary – to a catalogue of economic ills culminating in a recession. The Nigerian economy was relatively buoyant in the decade of the seventies. In January 1970, the civil war was over thus petroleum production and export soon reached the pre-war levels providing the much needed foreign exchange for reconstruction and development. The revenue situation of the country further improved following the phenomenal increases in the price of crude oil. However, by the turn of the decade, glut in the international oil market and recession in the major oil importing countries of Europe and North America combined to terminate the economic prosperity of the seventies and to impose the most severe economic hardship in recent memory.

The unfavourable developments in the Nigerian economy are better appreciated by taking a critical look at the major macroeconomic aggregates.

As shown in table I petroleum export is responsible for over 90% of total export earnings. Therefore, any fluctuation in petroleum exports send ripple effects throughout the economy. Hence the sharp drop in

Table I: Nigeria: Output and Export of Petroleum
1979–1982

	1979	1980	1981	1982
Index of output (1972 = 100)	126.6	113.1	79.0	70.8
Export (in ₦ billions)	10.2	13.6	10.7	8.6
Export of Petroleum as % of total Export Earnings	93.8	96.1	98.2	98.8

Source: *Federal Office of Statistics (FOS), Lagos.*

petroleum had far reaching implications for the Nigerian economy. First, total revenue collected by the Federal Government dropped from a high of ₦ 15.2 billion in 1980 to ₦ 10.6 billion in 1982 consequent to which Federal Government overall deficit rose from ₦ 2.0 billion in 1980 to ₦ 6.2 billion in 1982. Appreciable increases were also recorded in both internal and external loans.

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Table 2: Nigeria: Federal Government Finance 1979–1982
(in ₦billions)

	1979	1980	1981	1982
Total Revenue Collected	10.9	15.2	12.2	10.6
Total Revenue Retained	8.9	12.1	7.5	6.2
Total Expenditure	7.4	14.1	11.4	12.4
Overall Surplus/Deficit	1.5	– 2.0	– 4.0	– 6.2
Internal loans	0.4	0.6	3.5	3.6
External loans (Net)	0.36	0.26	0.46	0.20

Source: *Central Bank of Nigeria (CBN)*

The effect of the sharp drop in the production and export of crude oil is very clearly reflected in the balance of payments position. Current account balances for both 1981 and 1982 were in deficit and despite favourable balances in the capital accounts for both years the country was in overall balance of payments deficit of ₦ 3.04 billion and ₦ 1.4 billion in 1981 and 1982 respectively. Also external assets declined by 54.2 % and 58.3 % in 1981 and 1982 respectively.

Table 3: Balance of Payments and External Assets (in ₦billions)

	1979	1980	1981	1982
Current Account Balance	1.01	1.59	– 3.42	– 2.50
Balance on Current and Capital Accounts	1.82	2.37	– 2.94	– 1.38
Reserve Movement	–1.87	– 2.40	+ 3.04	+ 1.40
External Assets	3.25	5.66	2.59	1.08
Percentage Change in External Assets	134.3	73.8	–54.2	–58.3

Source: *CBN*

Since foreign exchange earning has an expansionary influence on the money supply the latter which had risen by 50.1 % in 1980 rose only marginally in 1981 (5.6 %) and 1982 (3.1 %) with positive influence on the rate of inflation. Though production figures especially in agriculture and manufacturing do not seem to reflect the general downturn in the economy the percentage change in registered unemployment which had shown a 7.1 per cent point decline in 1981 rose sharply by 42.3 per cent point in 1982. Similarly the percentage change in vacancies for the lower grade workers which was 66.5 per cent in 1981 registered an 18.2 per cent point decline in 1982.

However, the gravity of the recession cannot be attributed solely to the sharp drop in petroleum export. There are very strong indications that the economy was poorly managed. For example, warnings in the first quarter of 1981 about deterioration in the export sector and about the need to introduce control/stabilization measures early enough to arrest or

Table 4: Nigeria: Output in Agriculture, Manufacturing and Unemployment Related Statistics 1979–1982

	1979	1980	1981	1982
Index of Agricultural Production (1975= 100)		89.4	92.4	94.7
Index of Manufacturing Production (1972 = 100)	327.5	344.7	364.2	N.A.
Percentage Change in Registered Unemployment	N.A.	N.A.	– 7.1	42.3
Percentage Change in Vacancies for Lower Grade Workers	N.A.	N.A.	66.5	– 18.2

Source: *FOS and CBN*

temper the momentum were politicised; in consequence no corrective measures were taken until April 1982, when the country was already on the brink of bankruptcy and when foreign exchange reserves were barely sufficient to pay a month's import bill. Also not enough care had been taken to monitor and regulate foreign loans especially those contracted by the State Governments and other public institutions. Though statistics on Nigeria's foreign debt are inadequate it has been estimated that the total external debt is between US \$ 22 – US \$ 25 billion of which US \$ 5 – US \$ 8 billion is in short-term arrears. The debt service has run into colossal amounts; monthly interest payments and repayment of principal in 1983 have been estimated at US \$ 125 million and US \$ 150 million respectively.

The high cost of democratic institutions and the heavy burden which this cost imposes on socio-economic structures is also thought to have aggravated the adverse developments in the Nigerian economy. In 1983 alone total allocation to political institutions at the federal level was over ₦1 billion.

Table 5: Nigeria: Cost of Democratic Institutions at the Federal Level 1983 and 1984 (in ₦ millions)

	1983	1984 (proposal)
National Assembly	124.6	63.3
Office of the President	382.3	230.4
Federal Electoral Commission	576.3	51.1
Total	1,083.2	344.8

THE STABILIZATION POLICIES OF 1982

In response to the rapidly deteriorating economic situation the National Assembly on April 21, 1982, passed the Economic Stabilization (Temporary Provisions) Act designed to stem the deterioration in the balance of payments and to revamp the economy. The provisions of the Act include the following:

Exchange Control Measures:

- (a) Reduction in basic travel allowance from ₦ 800 to ₦ 500 and applicable only to persons 16 years and over;
- (b) Basic travel allowance for pilgrims was retained at ₦ 800 subject to the limitations above as well as to a 50,000 limit on the number of pilgrims;
- (c) Business travel allowance was reduced from ₦ 3,000 to 2,500 per annum for registered companies;
- (d) Pre-shipment inspection was extended to spare parts, raw materials, books, frozen and canned fish;

Fiscal Policy Measures:

- (e) The list of commodities whose importation is banned is extended to include a number of other commodities while 29 other commodities were removed from the open general licence and placed under specific import licence;
- (f) Tariff changes, largely increases, affecting 49 items were made;
- (g) New rates of excise duty ranging from 5 – 45 per cent were introduced;

Monetary Policy Measures:

- (h) Compulsory deposits were imposed on imports as follow:

<u>Items</u>	<u>Deposit as percentage of value of import</u>
Raw materials	25 (reduced to 10 in October)
Spare parts	25 (reduced to 15 in October)
Food (Except rice, Medicament,	
Building materials, Capital goods	50
Motor Vehicles and trucks	200
Motor Cars	250
Other goods	250

- (i) Interest rates were revised upwards across the board by two percentage points though they were again revised downwards in November by one percentage point.

As part of the Stabilization package the Nigerian Government initiated discussions with the International Monetary Fund (IMF) for a loan of US \$ 2 billion. . The recourse to the IMF will be discussed more fully in the next section. The 1982 Stabilization Measures, draconian as they were, made very marginal contribution to the re-adjustments which were intended. Though the deficit in the balance of payments declined by over 50%, and the rate of inflation dropped from 20.8 per cent in 1981 to 7.7 per cent in 1982 the index of agricultural production improved only marginally. Besides the structural dislocation was horrendous. In 1983 raw materials and spare parts shortages were rampant and manufacturing industries responded by closing down or laying off workers; wages in some public and quasi-public institutions were in arrears for months and there was an ever growing danger that Nigeria might default in the servicing of its external

debt. The 1982 Stabilization Measures did not stem the tide of economic recession in the Nigerian economy thus there were clear indications that more austerity measures were in the offing. However, political expediency dictated that additional austerity measures should not be introduced in an election year, hence more Stabilization Measures were delayed till after the 1983 elections. Measures which were announced in the budget speech of December 29, 1983, were still-born because of the successful military *coup d'état* of December 31.

RECOURSE TO THE IMF

It has already been noted that as part of the 1982 Stabilization package Nigeria intended to borrow US \$ 2 billion from the IMF. The loan was to serve at least three purposes. First, if obtained, it would convince suppliers that Nigeria is implementing creditable economic policies which would ensure economic recovery and enhance Nigeria's ability to service its loan. This conviction would then encourage suppliers to whom between US \$ 5–8 billion in short-term loans were owed to reschedule the loans. Second, the loan would for the same reason stated above facilitate the raising of more medium and long-term loans from private banks for financing other aspects of the structural adjustment programmes. Third, the IMF loan itself would be used to finance current imports. In view of the above the criticism that the IMF loan is too small to make any significant contribution to the structural adjustment takes a very narrow view of the objectives of the negotiations with the IMF.

The problem with the IMF loan is not so much with its impact *per se*, on the Nigerian economy but more importantly with the conditions which it imposes on the borrower and the far-reaching implications of these conditions for the economic, social and political process. The IMF conditions for granting a US \$ 2 billion loan to Nigeria are:

- a) Cessation of non-statutory transfer to State Governments;
- b) Wage and employment freeze;
- c) Classification of parastatals into economic and social heads with a view to privatising them;
- d) Review of interest rates on loans;
- e) Trade liberalization;
- f) Withdrawal of subsidies on social services;
- g) Adjustment of Naira exchange rate;
- h) Reduction or elimination of subsidies for consumer goods especially petroleum and petroleum products;
- i) Review and curtailment of public expenditure.

There is no doubt that the IMF conditions form a strong basis for an effective recovery programme. It is no surprise therefore that in the period over which the negotiations have lasted a number of the IMF conditions have been implemented. State Governments have been directed to intensify efforts aimed at generating more revenue internally, employment in the public sector has been reduced, interest rates have been revised upwards — twice; social services such as education and health are no longer

free, and public expenditure has been substantially reduced. However, there are three conditions over which there continues to be disagreement between the IMF and the Nigerian Government. These are devaluation, trade liberalization, and reduction of subsidy for consumer items especially petrol and petroleum products. An assessment of the IMF conditions must therefore focus on these three.

Devaluation is expected to ease the burden of adjustment by minimizing maladjustments resulting from price distortions; it is presumed to boost exports, reduce imports and to reduce the income disparities between the urban and rural populations among others. In the Nigerian case, however, these hopes may be misplaced. First, the prices of Nigeria's most important export commodities among them petroleum and cocoa, are denominated in foreign currency therefore the volume of export of these commodities should not be affected by the price effect of devaluation. Second, imports in the Nigerian case are not likely to be significantly affected by devaluation largely because of the low price elasticities of demand which are reflective of the rigidities created by the heavy import dependence of economic activities. Third, the extent to which devaluation reduces the income disparities between the urban and rural populations depends critically on the extent to which devaluation boosts exports, government pricing policy on agricultural export commodities and the elasticity of supply. It has already been argued that for those commodities whose export prices have already been denominated in foreign currency no increases in export volume could be expected. Even for those agricultural commodities whose prices are not denominated in foreign currency increases in their export volume depend on elasticity conditions which are known to be unfavourable and on the extent to which other producers counter the price competitiveness of the Nigerian products.

It should be noted that devaluation has other shortcomings. It increases the external debt burden of government, as well as of private institutions and individuals, by requiring greater amounts of local resources for the servicing of foreign loans. Thus a greater burden is placed on monetary and fiscal policy because of the need to increase revenue collected locally at a time of faltering economic performance, and the need that government be more austere. Also devaluation will exacerbate the inflationary spiral not only through the direct impact of increases in the prices of imports but also through its impact on money supply. The total picture emerging from this analysis is that devaluation may be catastrophic for the social and economic structures which are already straining from the draconian austerity measures which are in force.

However, the disadvantages of maintaining an over-valued currency over a long period of time call for a review of the foreign exchange policy in Nigeria. The time may be ripe for the introduction of a multiple exchange rate system designed not only to minimize the disadvantages of an over-valued currency but also to facilitate if well managed, the return to a single exchange rate system which equates both the official and the free market rates.

The insistence of the IMF on trade liberalization involving the 'free' repatriation of profits in a situation of chronic balance of payments deficit and debilitating structural dislocation is very disturbing. As already pointed out above, a number of rigidities inhibit the operation of the price system for resource allocation. Thus under this condition quantitative and payment restrictions as a way of reducing imports are imperative.

Many Nigerian economists view with sympathy the condition that subsidy especially for petrol and petroleum products be reduced or eliminated. This subsidy was based on the principle of even-development but it has been a major source of illegal frontier trade in petroleum and petroleum products constituting a major source of foreign exchange for dealers. Recent findings indicate that domestic consumption of petroleum is far less than had previously been recorded while savings is estimated to yield a net foreign exchange earning of US \$ 1 billion annually.

The disenchantment with the IMF further stems from the fact that most developing nations now perceive it as a tool for propagating Western civilization by defining the welfare functions of weak nations using the values in Washington; an institution seemingly owned by all of its membership but surreptitiously used by a few to foster a particular ideological cause. The international monetary institution is also perceived as being more concerned about preventing the collapse of Western banking institutions than it is in assisting poor nations with their adjustment problems. The reputation of the IMF is nowhere enhanced by the record of performance of those developing countries which have adhered to its economic package. Nor is the reputation enhanced by its insensitivity to the social and political climate in these weak nations. The announcement effects and the implementation of IMF conditions lead to social up-rising because in most cases they had tantamounted to government depriving the governed some of the privileges which had been enjoyed for decades. These are measures which in most advanced western economies are unthinkable. Consider for example the withdrawal or reduction of social security, farm subsidies as well as other social benefits in the United States.

The case for the IMF loan for Nigeria is weaker now than it was a year ago. The short-term debts have been 'rescheduled'; also given the seemingly better management and the severe austerity measures the economic situation — though it is too early to conclude — seems under control; the international oil market conditions are a lot more stable — price though lower is somewhat firmer. Rising interest rates and the danger of a growing debt burden are additional reasons for abandoning the pursuit of an IMF loan.

ADDITIONAL AUSTERITY MEASURES

More austerity measures were announced in the revised 1984 budget. The most important feature is the size of the budget itself; at ₦10.1 billion it is 18.5 % lower than the 1982 budget. Remittances by expatriates were reduced from 50 to 25 per cent of income and external borrowing by State Governments is banned.

The most important stabilization measure of 1984, is the currency change which preceded the revised budget by a few days. Its goals were deflationary – to reduce the money in circulation and to render useless the Nigerian currency held outside of the country. It is too early to assess the effects of this measure, however, prices of most consumer goods have fallen appreciably but the extent to which illegal transactions in Naira has been reduced is yet unknown. Unfortunately the way in which the currency change was implemented may leave some permanent scar on both political and economic institutions. The difficulty «deliberately» created to minimize withdrawals from commercial banks has undermined the confidence in both the Government and the banking system, consequently hoarding of the new currency is likely to pose a severe problem for monetary and fiscal policy.

CONCLUSION

We have attempted in this paper to present the background to the structural problems in the Nigerian economy and to review the efficacy of the various measures which have been introduced to contain and hopefully, reverse the deteriorating social and economic conditions. The structural dislocation is traceable to the oil glut and to the recession in the major oil importing countries. Since over 90 per cent of Nigeria's foreign exchange earnings is obtained from oil export the sharp decline in oil export generated 'proportionate' decline in government revenue with attendant consequence for government expenditures, the level of output, money supply, average price level and employment. The effect of the sharp decline in oil export was most directly reflected in the balance of payments deficit and the size of external assets.

Stabilization measures which were introduced in April 1982, though severe, had only marginal effects on the deteriorating social and economic conditions. The balance of payments deficit was lower for 1982 than it was in 1981 and the rate of inflation declined from 20.8 in 1981 to 7.7 in 1982. However, unemployment was sharply on the increase, wages and salaries were in arrears in a number of public and quasi-public institutions; external assets fell by 58.3 per cent and there was a growing fear that Nigeria might default in the repayment of its medium- and long-term loans.

The 1982 Stabilization policy was to be supplemented with a US \$ 2 billion loan from the IMF. However, disagreement on three of the conditions stipulated by the IMF – devaluation, trade liberalization and the reduction of subsidies for consumer goods especially petroleum and petroleum products – has caused the negotiations to be rather protracted. Events seem to be overtaking the need for an IMF loan and if good sense is to prevail the loan would no longer be sought.

Additional measures were introduced in 1984, coupled with a currency change which was designed to deflate the economy by reducing the money supply and by rendering useless the Nigerian currency in illegal trading outside of the country.

In spite of the multifarious austerity measures Nigeria continues to grope in the dark. The saving grace in the short run is the combination of better management of the economy, improvement in the external sector — in particular improved foreign exchange earnings from petroleum, and the extent to which the tendency for government expenditure to increase the demand for foreign exchange is curtailed. Economic prosperity in the medium- and long-term will depend critically on the extent to which the sources of foreign exchange are diversified and the extent to which local industries are oriented towards local raw materials while importation of consumer goods including food is kept at a minimum.

RESUME

Le présent article étudie la cause des problèmes structurels de l'économie Nigériane et examine l'efficacité d'un certain nombre de mesures de stabilisation qui avaient été prises en vue de freiner puis d'inverser la dégradation de la situation économique et sociale.

La baisse vertigineuse du volume des exportations de pétrole est à l'origine de la dislocation des structures.

Cette baisse a eu des conséquences graves aussi bien pour le volume des dépenses de l'état que pour l'emploi et pour le niveau moyen des prix. Des mesures de stabilisation furent prises pour la première fois en Avril 1982. Cependant celles-ci se sont avérées peu efficaces sur la détérioration de la situation économique et sociale. En effet l'on pouvait constater un chômage accru, des retards de paiement de salaire dans nombre de secteurs publics et semi-publics, et un risque croissant de voir le Nigéria faire défaut dans le paiement de ses emprunts à moyen et long-terme. Le FMI devait assortir ces mesures de stabilisation d'un prêt de 2 milliards de dollars. Néanmoins trois des conditions imposées par le FMI ont fait l'objet d'un désaccord, à savoir : la dévaluation de la monnaie, la libéralisation du commerce, et la réduction des subventions accordées aux biens de consommation, notamment à l'essence et aux produits pétroliers. Voilà ce qui explique pourquoi les négociations n'ont pas encore abouties.

Le Nigéria continue à sombrer malgré la mise en œuvre d'une politique de rigueur. Dans le court-terme, l'espoir réside dans la combinaison de trois facteurs : la bonne gestion de l'économie, l'amélioration de la position extérieure, et la capacité du gouvernement à réduire l'augmentation de la demande de devises.

THE CURRENT AUSTERITY MEASURES AND THEIR IMPACT ON THE NIGERIAN ECONOMY

By

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INTRODUCTION

Growth in the developing economies is characterized by shocks and bottlenecks because changes in demand associated with high money income levels are often not matched by adequate supply responses. Supply shortages of final outputs often occur because of physical bottlenecks such as acute shortage of managerial and skilled manpower, capacity limitations in public utilities, and inadequate supply of various intermediate inputs. The significance and negative impact of the bottlenecks vary depending on each developing country's resource base and level of development. Rigidity in tax and expenditure structure of the government in addition to the absence of a well developed financial system capable of adequately mobilizing and transforming savings for productive investments could intensify and protract this disequilibrium.

There is no consensus among economists as to the appropriate policy strategy for achieving sustained equilibrium in the economic situation sketched above. In the view of the structuralist economists, the main thrust of stabilisation policy should aim at complete elimination of identified bottlenecks through long-term structural adjustment measures. In their view, any attempt to stabilise the economy through monetary measures is doomed to failure as one disequilibrium would be removed at the expense of creating new ones. It is the view of Taylor (1), for example, that the standard stabilisation package is disastrous in the typical case of the developing economy because:

- i) devaluation has little impact on trade and mainly aggravates inflation, and
- ii) domestic credit restriction causes a loss of real output, essentially because operating credit for firms acts like a real input in the production function, and cutting this credit may result in cutting output. Similarly, Schydowsky (2) has argued that the standard stabilization package (devaluation, reduced government spending and reduced credit expansion) is ineffective because, (i) imports and exports are unresponsive to the exchange rate and (ii) real output will fall as higher prices induced by devaluation reduce purchasing power and demand and as credit squeeze cuts firms' output.

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On the other hand, the monetarists believe in short-term stabilization measures designed to control aggregate demand in the economy. SHEAHAN (3), for example, focuses on the policy flaws of excess demand and the inadequate attention to the external sector which primarily led to the crisis and considers the corrective stabilisation measures, and their costs, as relatively inevitable. Such measures follow rather closely the «orthodox package» which aims to restore equilibrium through a reduction in the rate of expansion in money supply and total credit, a reduction in government expenditures, a decrease in real wages, exchange rate devaluation and elimination of government subsidies. The late 1950s and 1970s saw the application of numerous monetarist programmes in many Latin American countries like Chile, Argentina, Uruguay and Brazil, to name only a few.

The Nigerian economy has faced serious adjustment problems since the early 1970s when the 'oil factor' became dominant. The earlier disequilibrium was the product of the oil-induced excess liquidity in the economy. Adjustment problem has however, assumed new dimensions since 1981 when large reductions in oil earning occurred. The stagflation in the last three years reflects the fundamental policy problems posed by the restrictive measures adopted by the country. It is therefore in the broad context of these problems that we wish to examine the impact of the current austerity measures on the Nigerian economy.

The paper has been divided into five parts. Part I gives an overview of developments in the Nigerian economy between 1970 and 1980 when petroleum became the dominant sector. Parts II and III will respectively focus on the genesis of the current economic crisis and the subsequent stabilization measures adopted since April 1982. An attempt will be made in Part IV to appraise the stabilization measures with respect to set objectives and their impact on the national economy. The final part is the summary and our recommendations.

PART I. — OVERVIEW OF THE NIGERIAN ECONOMY, 1970–1980

Before the 1981 glut in the crude petroleum market and the consequent policy of reduction in output and prices, Nigeria was a major exporter of crude petroleum to Africa and the rest of the world. The emergence of petroleum as a dominant sector in the economy was attributable largely to a sharp rise in price matched by a marked increase in output, and increased government participation in the industry. After a four fold increase in 1970, output level rose by 41 per cent to 558 million barrels in 1971 and by 1973 had risen to 823 million barrels annualised average output. Between 1975 and 1980, daily average output ranged between 1.8 and 2.3 million barrels with the production peak reached in 1979. This expansion in output coincided with more than doubling of prices resulting in a quadrupling of export receipts by the Government.

The importance of the oil sector can best be illustrated by evaluating its contribution to some important economic variables during the

period under review. For example, the contribution of the sector to real GDP which was only 9.4 per cent in 1970, rose to 31.9 per cent in 1974 but thereafter declined irregularly to 30.2 per cent by 1980. Its share of total export earnings rose from 57.6 per cent in 1970 to 93.6 per cent in 1976 and oscillated to 96.1 per cent in 1980. Contribution to government revenue by oil leaped from 27.1 per cent of the total in 1970 to 82.3 per cent in 1979 but declined to 66.3 per cent in 1978, following the weakness in world oil market. It however picked up again and reached 82.3 per cent in 1979 before declining marginally to 81.8 per cent in 1980 (see Table 1). Thus, oil took over from the agricultural sector in terms of relative importance in almost every area of Nigeria's economic life except employment of labour on which its impact remained virtually negligible. It is not coincidental therefore that developments in the Nigerian economy has, to date, been dictated largely by the performance of the oil sector.

PART II. — BUILDING OF CURRENT ECONOMIC CRISIS

Nigeria's economic problems originated partly from her over-dependence on oil and largely from the gross mismanagement of available resources realized when the boom lasted. The rapid expansion of government expenditure geared to improve living standards, accelerate the development of the economy and diversify its productive base was faced with serious physical and institutional constraints for which there were no immediate solutions. While domestic capacity could not expand, there was a rapid build-up of demand pressure in the economy which put serious strains on both the domestic and the external sectors. In particular, the pattern of investment shifted mainly to the construction and services sectors to the detriment of the agricultural and other directly productive sectors. Consequently, the only option the country was left with was to liberalise imports in order to stem the high rate of domestic inflation. The importation strategy gave rise to the acquisition of sustained high tastes for imported luxuries and food items which had to be paid for in foreign exchange. In addition, the development of Nigeria's economy outside the oil sector has been looked into the country's ability to pay for imports. The import substitution strategy of the country's industrialisation policy has led to the excessive dependence of the growing manufacturing sector on imported inputs. On the average domestic value-added constituted less than 25 per cent of most manufacturing outputs. Unfortunately the country lost most of the additional foreign exchange that could have accrued from the traditional export sector through the neglect of that sector.

The extent of the country's overwhelming dependence on oil was manifested in 1981 when we could not sell our oil in the world market. There was a dramatic slump in oil production and sales and daily output fell sharply from a daily average of 2 million barrels in 1980 to about 0.7 million barrels in 1981 and by the end of the first quarter of 1982 our production level slumped further to 0.63 million barrels per day. Price also fell from \$ 40 to \$ 35.5 per barrel in the same period and continued the slide thereafter as the major consumers demanded less oil in the face of

world economic recession. Besides, the Nigerian oil faced price competition from the North Sea oil which is of similar quality to the Nigerian crude. The decline in the quantity and price of crude oil export thus put severe strains on government revenue and export earnings. Since this adverse development could not influence corresponding downward adjustments in government spending and the country's imports, deficit budgeting by the Government rose sharply and tended to drain available finance from the private sector. As our balance of payments position deteriorated, the comfortable foreign exchange built up was gradually depleted. External borrowing equally surged, leading to a sharp rise in the country's debt service burden.

Federal Government budgetary position deteriorated from an overall surplus of ₦ 275.8 million in 1980 to a deficit of the ₦ 3.6 billion in 1981. The deficits increased further to ₦ 5.6 and ₦ 6.1 billion in 1982 and 1983, respectively. With respect to state governments, available data for 1980–1983 showed that their combined estimated budgetary deficits rose from ₦ 3.3 billion in 1980 to ₦ 4.9 billion in 1981, ₦ 5.4 billion in 1982 and ₦ 6.2 billion in 1983. The recorded total deficit for all Governments in 1980 was therefore 16.2 per cent of non-oil GDP while those for 1981, 1982 and 1983, represented 26.3, 30.2, 32.8 per cent of the non-oil GDP, respectively. The major sources of finance for these deficits was the banking system which, on the average, accounted for more than 80 per cent and thereby constituted a significant source of primary money creation. The impact has even become greater since 1981. Under the circumstance, the maintenance of monetary stability by the Central Bank became elusive since it is the proportion of money supply for which the commercial bank's credit to the private sector is amenable to the Central Bank's control.

The worsening balance of payments position was due to the fact that the rate of foreign exchange outflow was much faster than the rate of inflow. Thus, the country's import bill had substantially outpaced export earnings by 1982. For example, the country's current accounts balance swung from a surplus of ₦ 1,593.0 million in 1980 to a deficit of ₦ 3,419.4 million in 1981, representing a deterioration of ₦ 5,012.4 million in one year. Viewed in another way, the situation in 1981 was such that while the monthly outflow of foreign exchange averaged ₦ 1,213.9 million, inflow was only ₦ 964.5 million monthly. These yearning deficits were financed by drawing down Nigeria's external reserves from ₦ 5.8 billion at the end of June 1981 to a little over ₦ 1.2 billion by end-March, 1982, just before the introduction of the stabilisation measures. The low level of external reserves had by 1982, defied the conventional measures of reserve adequacy for the country. For example, the conventional standard practice stipulates that reserve holdings should be sufficient to finance at least four months imports level. This safety rule was first violated in 1978 when the country experienced the first oil shock. By 1982, however, the rule had been persistently contravened. Available reserves could on the average finance only up to 2.0 and 1.1 months import levels in 1981 and 1982, respectively.

The pressures in the external and domestic sectors of the economy were aggravated by factors other than the slump in the demand for oil. These other factors included the unregulated external borrowing by both the Federal and State governments for projects which hardly took off; smuggling which deprived the Government of the much needed revenue and posed a serious threat to the survival of local industries whose products could not compete effectively with the smuggled goods in terms of price and quality. Various malpractices like over-invoicing of imports and false foreign payments documentations were channels of syphoning the country's foreign exchange abroad for uses not beneficial to the country. Productivity was low particularly in agriculture, manufacturing and the services sectors and this contributed substantially to supply inadequacy from the domestic source, particularly the basic food items and industrial raw materials which could be produced locally. It is pertinent to add that the Nigerian economic crisis was many years in making. It might have taken longer to manifest itself but for the oil glut. Although government's policies since 1977 have been appropriate and well designed to correct most of the imbalances in the economy, only limited successes were achieved before the problems worsened in 1982. The failure to achieve all the objectives of policy could not be attributed to inappropriate policy measures but faulty implementation and lack of political will to enforce policy measures. Nevertheless, approach to some policies were also inconsistent, being in the nature of stop-go, while the increasing role of government as the prime mover of the economy did not only constrain the efforts of the private sector but also rendered monetary policy as an instrument of macro-economic management increasingly ineffective.

The poor performance of the economy intensified in the first quarter of 1982. In the face of a dwindling level of external reserves occasioned by rising outflows and declining inflows of foreign exchange, the over ₦ 5 billion accumulated merchandise trade debts vividly demonstrated the very dangerous and critical situation facing the economy and the need to take the drastic economic measures announced in April 1982, under the Economic Stabilisation (Temporary Provision) Act 1982. The Stabilisation Measures included wide ranging fiscal, monetary and other measures aimed at combating the severe financial pressure already sketched above. The measures were reinforced in 1984.

FISCAL MEASURES

The public sector deficit spending was an important source of monetary expansion and thus inflation in the economy. Fiscal adjustments adopted from April 1982 were geared towards reducing government expenditures and increasing tax revenue. Reduction in government spending was expected to be achieved through a general budgetary control which eliminated wastes, abandoned or postponed the implementation of less viable projects and the starting of new ones. However, on-going viable projects were to be funded and completed.

In order to increase revenue yields, new rates of excise duty ranging from 5 to 40 per cent were imposed on a wide range of domestic manufactures, which hitherto attracted no excise duty. The rate and coverage of

such excisable goods have been revised from time to time since 1982. Also, there have been tariff changes on various imports. Most of the changes were in terms of increases in the rates of existing import duties and the introduction of new ones. Government anti-smuggling campaigns were intensified in addition to other fiscal measures which featured total ban on certain category of imports while others were removed from open general licence and placed under specific import licence. By 1984, all imports were placed under specific licence while the allocation of foreign exchange to authorized dealers for each month was not to exceed 1/12th of the estimated foreign exchange budget for the year. These measures were intended to balance the compelling need to reduce imports and stem foreign exchange outflows. Other important objectives of the restrictive import measures included the protection of domestic manufactures and the promotion of increased use of domestic raw materials.

EXCHANGE CONTROL MEASURES

Comprehensive exchange control measures were adopted in 1982 with the main objective of reducing the country's foreign exchange expenditure to a level that would be compatible with declining foreign exchange earnings. Those measures were retained in the subsequent years and in most cases strengthened because of the additional burden of debt servicing. The measures are:

- i) Reduction of Basic Travel Allowance from ₦ 800 to ₦ 500 in 1982 for adults only, and was further slashed to ₦ 100 in 1984. Although pilgrimage allowance remained at ₦ 800 the number was pegged at 50,000 in 1982 and 1983 and was further reduced to 20,000 in 1984. The amount of naira which travellers could take in and out of the country was also reduced from ₦ 50,000 to ₦ 20,000 in 1984.
- ii) Business travel allowance was initially reduced from ₦ 3,000 to ₦ 2,500 per annum for registered companies in 1982 and was suspended altogether in 1984.
- iii) Suspension of foreign exchange approval for new students intending to go for study courses available in local universities and other institutions of higher learning.
- iv) Reduction in the rate of home remittance by expatriates workers living in Nigeria from 50 per cent to 25 per cent of net income.
- v) Condition for the approval for medical treatment abroad became more stringent as certified letter from the Medical Board of the state in which the applicant is domiciled was required.
- vi) Allowance for freighting personal effects from abroad was pegged at ₦ 2,000 maximum.
- vii) Reduction of buying commission to agents or confirming houses from the maximum of 4.0 per cent to 2.0 per cent of f.o.b. consignment.

viii) Introduction of strict foreign exchange budgeting for the country where guidelines were issued for the sectoral allocation of the foreign exchange budget to conform with the set order of priorities as follows:

- (a) raw materials, spare parts, etc.. — 58 %;
- (b) food items — 18 %;
- (c) general merchandise — 12 %;
- (d) invisibles — 12 %.

Registration and approval of Form 'M' continued to be a pre-condition for imports to facilitate budgetary discipline. The total foreign exchange budget for 1984 was pegged at ₦ 8,000.0 million and expenditures were to be made at a monthly pro-rata rate of ₦ 666.7 million.

To ensure strict compliance with these measures, the Foreign Exchange Anti Sabotage Decree was promulgated.

MONETARY AND CREDIT POLICY

The objective of monetary policy has since 1982 emphasised the need to curtail inflation and maintain a healthy balance of payments position while increased domestic production of goods and services was encouraged to achieve these ends, measures were adopted and have been reviewed from time to time as necessary.

BANK CREDIT CONTROL

Control of bank credit was used to achieve the twin objectives of checking excessive expansion of aggregate demand in the economy and at the same time encourage increased domestic output of goods and services. To this end ceilings and sectoral distribution measures were imposed to ensure that commercial and merchant banks' lending to the private sector of the economy was not inflationary. Ceilings of 30 per cent for big banks and 40 per cent for the small banks were imposed on the rate of expansion of aggregate credit to the private sector during the period, 1978 to 1982. For the two respective categories of banks these rates were reduced to 25 and 35 per cent in 1983, 12.5 and 20 per cent in 1984 and 7 and 10 per cent in 1985. While it is admitted that Government spending explains more than 80 per cent of primary money creation in the country, the imposition of these ceilings was necessary to check an excessive secondary expansion of money supply.

In addition, guidelines were issued to the banks from time to time instructing them to allocate the bulk of available credit to the directly productive sectors and less to the less-productive and consumption oriented sectors.

SUPPLEMENTARY RESERVE REQUIREMENT

In realisation of the potential danger which commercial banks' excess reserves constitute to credit expansion and thus to monetary stability, measures were adopted from time to time to reduce the level of such

excess reserves. The minimum liquidity ratio requirement for all commercial banks was fixed and left at 25 per cent over the years. This ratio has of course not been an effective instrument of credit control in Nigeria because most banks tend to maintain ratios well above the prescribed legal minimum. Hence, supplementary reserve requirements were imposed to mop up commercial banks' excess liquidity. For example, each bank was required to maintain with the Central Bank at its Head Office in Lagos, a minimum amount of cash deposits which ranged between 2 and 5 per cent of the bank's total deposit liabilities. Such deposits were not eligible for inclusion in the calculation of liquidity ratios.

INTEREST RATE STRUCTURE

In order to encourage increased financial savings and promote a more efficient resource allocation of available loanable funds, interest rates were revised three times in 1982 when two percentage points were raised in January and April, but lowered by one percentage point in November. In 1984, the rates were raised by about one and half to two percentage points generally except that the concessional rate for agriculture and the maximum allowed for all purposes were retained at 7 and 13 per cent, respectively. In 1985, interest rate on agricultural lending was raised to 8 – 9 per cent to encourage banks to lend more for agricultural production.

COMPULSORY ADVANCE DEPOSITS FOR IMPORTS

Compulsory advance deposits for imports which was first introduced in 1978 to discourage imports and reduce commercial banks' excess liquidity was abolished with effect from April 1, 1980. However, in response to the re-emergence of adverse developments in the external sector in 1982, the Economic Stabilisation Measures reintroduced a compulsory advance deposits for imports. Advance deposits on imports was also designed to cut down the rate of importation to a level compatible with the rate of foreign exchange inflow. The rates of such deposits varied inversely with the importance attached to each category of imports and ranged from 25 per cent for raw materials to 250 per cent for motor cars and other non-essential goods. In 1983, the rates for raw materials and spare parts were reduced from 15 to 10 per cent and from 50 to 15 per cent, respectively to stimulate increased domestic output. By 1984, advance deposits on imports as a constraint on the rate of imports was considered no longer necessary because all import items came under specific licence and the licences issued were strictly in accordance with foreign exchange budget.

PRICE AND INCOME POLICY MEASURES

Income policy guidelines remained virtually unchanged since 1980. The objectives of the policy included promotion of an equitable re-distribution of income, enhanced productivity and maintenance of price stability in the economy. In pursuit of these objectives, salaries and wages in both the public and private sectors were frozen, while revision or introduction

of fringe benefits were subject to Government approval. Normal annual salary increments were allowed but changes in compensation packages could not be effected retroactively unless they arose from promotion or enhancement of status. The government was to be properly notified if ex-gratia payments such as end of year bonus which must not exceed one month's basic pay were to be made. Incomes from professional services and dividends were pegged at stipulated levels or rates.

Since these measures were adopted to contain increases in production cost and thus dampen the effect on the rate of increases in whole-sale prices, any upward adjustment in prices were to be effected only after due approval by the Government.

PART IV. — APPRAISAL OF POLICIES AND THE IMPACT ON THE ECONOMY

The effectiveness of a policy measure can best be evaluated in terms of its contributions to the achievement of the ultimate goals. While it would take some time before the full impact of the current austerity package can be felt, it is our belief that in the short-run the current stabilisation programme has achieved some measure of success. The short-run achievements have been through the influence of the monetary, fiscal and exchange control measures adopted.

MONETARY POLICY MEASURES

Financial variables, be they monetary aggregates, credit or interest rates are, of course, only intermediate targets. The effectiveness of monetary policy should therefore be judged on the basis of its ability to influence the ultimate objectives, principally price stability, increased output and balance of payments equilibrium which go beyond these aggregates. All the same, the movement of monetary aggregates could be a pointer to whether the ultimate objectives could or could not be achieved.

The current monetary policy measures have apparently started to influence these monetary targets in the desired direction. For example, the high rate of monetary expansion which characterized 1979 and 1980 was moderated in the period 1981 to 1984. For instance the monthly growth rate of M1 averaged 1.0 and 1.9 in 1983 and 1984 respectively. While the substantial outflow of money through the external sector largely explained the moderation in monetary expansion in 1981, the fast deceleration in bank credit expansion to the private sector and the impact of advance import deposits between April 1982 and May 1984 influenced the moderation in the latter period (1982–1984). The rate of increase in aggregate bank credit to the economy fell persistently from 50.9 per cent in 1981 to 10.5 per cent in 1984. In those years, expansion in commercial banks' loans and advances was low and was in consonance with the credit ceiling and other forms of liquidity squeeze imposed on the commercial banks. In addition, the amount sterilized and withdrawn from money stock on account of compulsory advance deposit for imports was persistently in excess of ₦ 1 billion in 1983 and 1984.

The institutional growth in banking facilities together with the upward revisions in the interest rate structure in 1982 and 1984 contributed largely to the high rate of increase in financial savings in the country, and thereby moderated the rate of expansion of M1. For example, time and savings deposits with commercial banks (quasi-money) rose by about ₦3.6 billion or 61.9 per cent between 1981 and 1984.

However, despite the deceleration in monetary expansion during the review period, inflation rate which declined sharply from 20.8 to 7.7 per cent during the first year of the austerity package has assumed an upward trend, recording an annual growth rate of 23.2 per cent in 1983 and an estimated 43.6 per cent in 1984. In which case, inflation in those years appeared not to be a monetary phenomenon but a development which could be blamed on supply shortages, hoarding and distribution bottlenecks.

FISCAL POLICY MEASURES

Fiscal measures were aimed mainly at reduction in public sector spending, particularly capital expenditures. The Federal Government Expenditures fell by 10.7 and 3.1 per cent in 1983 and 1984, respectively as against the increase of 12.8 per cent in 1982. The effect of this development is reflected in the fast deceleration in the rate of growth in Federal Government Budgetary deficit from 60.7 and 77.1 per cent in 1981 and 1982, respectively, to only 8.6 per cent in 1983. In 1984, the estimated deficit fell drastically and was reduced by almost one half to ₦3.3 billion from 6.1 billion in 1983.

BALANCE OF PAYMENTS ADJUSTMENT

Despite the continued slump in the international oil market and the consequent revenue loss to the economy, the oil sector still accounted for an average of 97.3 per cent of total export earnings between 1982 and 1984. In which case, the non-oil sector has not responded positively to measures adopted to boost its contribution to export revenues. In effect, export earnings decline between 1981 and 1983, but an increase of ₦1,058.1 million or 13.9 per cent was recorded in 1984 for which oil wholly accounted.

Measures adopted to restrict imports appeared to be somewhat effective as the level of imports declined between 1982 and 1984 (see table 2). The trend whereby the country's imports bill substantially outpaced export receipts just before the austerity package was introduced had been reversed by 1984 when the monthly import bill averaged about ₦650.0 million as against ₦723 million export revenue. Consequently, the overall balance of payments position improved making it possible for the country to pay for its imports on current basis, honour her external debt obligations and increase the level of her external reserves by 67.2 per cent to ₦1,496.5 million in 1984.

Although Nigeria has not accepted the IMF option to devalue the Naira as a means of achieving balance of payments adjustment, there has been a gradual and persistent depreciation of the Naira against the U.S. dollars. For example, between 1982 and 1984, the value of the Naira vis-à-vis the dollars had declined from \$ 1,5534 to \$ 1,3822 and slumped further by 16.3 per cent to \$ 1,1576 in 1985. Depreciation against the pound sterling has not been as sharp and consistent because of the inherent weakness of the sterling itself.

The cost of the corrective stabilization measures to a semi-industrialized economy which depends heavily on imports is inevitable. This fact has been demonstrated in the Nigerian case by the sharp fall in output, unemployment and high inflation rate.

DECLINING OUTPUT

Our appraisal of the current austerity measures shows that a consistent adherence to the policy stance could in the medium or long-term enhance Nigeria's chance to survive the crisis and achieve a sustained growth. However, in the short-run there was a sharp fall in output leading to high rate of unemployment and loss of real income.

The poor performance of the oil sector which also influenced a slowdown in activities of the other major sectors in the economy induced a persistent decline in real Gross Domestic Product (GDP) between 1980 and 1984. The rate of decline at 6.3 per cent in 1983 was the highest during the period as the austerity measures taken in April 1982 made their full impact. The low rate of decline (estimated at 0.5 per cent) in 1984 was due to the improved performance of the oil and agricultural sectors (see tables 3 and 4).

The productive capacity of the economy has been under severe strain since 1982 partly because of the restrictive import policy and the reduction in government capital outlays among other measures introduced to correct the disequilibrium in the economy. Output of the industrial sector (as indicated by the index of industrial production which combines the output of mining, manufacturing and electricity sub-sectors) declined by 4.1 and 11.7 per cent in 1983 and 1984 respectively. The manufacturing sub-sector accounted mainly for the sharp declines in both years. The output of domestic manufactured products reached its peak in 1982 and since then the index of manufacturing declined by 4.7 and 18.2 per cent in 1983 and 1984, respectively. As it became difficult to obtain adequate imported raw materials and spare parts due to the shortage of foreign exchange, the sector plunged into a severe recession. As capacity under-utilisation became rife during this period motivation for new investments disappeared. The low level of activities in the sector has also contributed to low demand for credit from the banking system as companies' own funds were free to finance their expenditure requirements. This source of funds accounted for more than 50 per cent of their total financial requirements, on the average.

In the country-wide survey conducted by the Central Bank of Nigeria to obtain on the spot assessment of the state of industrial activities, many manufacturing industries complained of increased costs, resulting

from higher interest rates, wages, taxes as well as additional costs incidental to the provision of water and electricity for industrial use. The most important complaint, of course, was shortage of raw materials and spare parts.

UNEMPLOYMENT

The depression in the industrial sector, as would be expected, also had adverse effects on the level of employment. The economic down-turn did not encourage new investments. More importantly, the restriction on imports exposed the weakness of the country's industrialization process which has very little domestic inputs, except manpower. Consequently, most of the manufacturing establishments with high import dependency operated far below their installed capacity or closed down completely. Besides the slash in government expenditure, particularly on capital projects, reduced the level of activities in the construction industry apart from the massive retrenchments of workers in the public sector itself. The problem of unemployment was thus aggravated by the slow-down in the industrial sector and also the construction industry which had hitherto provided a high rate of employment for the unskilled and semi-skilled workers. In addition, the number of unemployed graduates and fresh school leavers increased rapidly as the recession deepened in all sectors of the economy.

INFLATION

Inflation rate assumed an upward trend in 1983 and 1984. The rate of inflation which decelerated from 20.8 per cent in 1981 to 7.7 per cent in 1982 shot up to 23.2 per cent in 1983 and escalated to an estimated 43.6 per cent in 1984. The major contributor to the rapid increase in prices was the food item. This was due mainly to the fall in domestic production arising from unfavourable weather condition, pests and animal diseases. Apart from drought and other unfavourable weather conditions, the other mitigating factor was the sharp decline in government assistance to farmers in the areas of subsidised inputs and cash grants.

Disruption in poultry in 1983 and 1984 was caused mainly by the interruptions in the supply of day old chicks and poultry feed due to the curtailment of their imports because of foreign exchange scarcity. Thus, the disruption to agricultural production did not only influence a fall in total output, but also aggravated the inflationary pressures in the economy, arising from high food prices.

Finally, when fiscal adjustment implies a drastic reduction in public expenditures, the so-called social sectors such as health, education, housing and other forms of government welfare services are bound to be adversely affected.

PART V. — SUMMARY AND CONCLUSIONS

The over-dependence of the Nigerian economy as a single commodity-oil as the main source of foreign exchange earning and government revenue as well as the expanded role of government as the prime mover of the economy have been the major sources of instability in the Nigerian economy since 1973. The boom in the oil sector and the consequent over expansion of the public sector during the boom years was the major source of excess liquidity in the economy and over reliance on the external sources for the supply of industrial and manufactured goods and good items. Although the boom assisted in improving welfare in the country generally while it lasted, the slump in the oil industry since 1981 has brought the unpleasant consequences of economic recession and fall in the standard of living of Nigerians. The current crisis emanating from the drastic fall in oil receipts exposed the weakness of our industrialisation strategy based on massive importation of inputs, the neglect of the non-oil sector, particularly agriculture and the expanded role of government which was on the verge of crowding out the private sector.

The current austerity measures are therefore designed to achieve the medium to long-term objectives of restructuring the economy to achieve increased output, balance of payments equilibrium and domestic price stability.

The crisis in the Nigerian economy has persisted for several years, therefore the structural shifts necessary to move the economy into a path of self-sustaining growth would need some time to materialise. Although some laudable measures had been adopted to address some of these problems in the economy, the implementation had been very often faulty. From time to time, some policy measures have been prematurely dismantled mainly because of lack of sufficient political will to execute such policies and the unpreparedness of the citizens to make sacrifices and co-operate fully with the government. The end result was that we found ourselves in a vicious cycle of stop-go policies where the objectives of economic self-reliance becomes elusive.

The domestic deflation of the past three years is essentially a holding operation aimed at restricting imports and foreign spending for a period during which the accumulated trade arrears would be financed and debts repaid. This may take a few more additional years to accomplish except the oil industry bounces back and provides the much needed foreign exchange.

The policy of constraining the importation of some industrial raw materials and intermediate inputs is explained by the need to stimulate increased use of local raw materials. It has been observed that the slow growth in the contribution of the manufacturing sector to GDP is traceable to the high import content of our manufactured products. The hope is that industries will respond by finding alternative raw materials from domestic sources. Besides, the country's long-neglected agricultural base will be stimulated to provide food and agricultural raw materials to replace imports which would no longer be available in sufficient quantities.

A long-term and fundamental solution of the ills of the Nigerian economy lies in moving the country away from the mono-cultural economy to which the oil boom had pushed it. In this connection, greater emphasis should be placed by government on the major sectors other than oil. These include Agriculture, Liquified Natural-Gas, Petro-Chemicals and Iron and Steel industries.

The import substitution strategy of the country's industrialisation policy has to be reviewed. A distinction must be made between capital intensive import substitution industries that depend largely on imported inputs and those that are labour intensive utilising local raw materials. The Government should provide monetary and fiscal incentives to the latter in order to change the base of our existing industries with very little domestic value-added.

One additional goal of structural adjustment should be to reduce the size of the public sector by turning some economically viable public enterprises over to the private sector. The Federal Military Government has embarked on a policy of privatisation and this should be seen as a step in the right direction provided that a distinction is made between the social services units and the economic units which could be privatised.

While it appears that the current stabilisation measures have saved the Nigerian economy from a total collapse which was very apparent without such action, actual recovery is still being anticipated. It is encouraging to note the fall in real GDP in 1984 was the lowest rate in seven years (see Table 4), but the structural imbalance remains. While the hope for increased agricultural output in 1985 is bright, the recovery of the manufacturing sector will take some time in view of its over-dependence on imported inputs in the face of foreign exchange scarcity to pay for such inputs. Thus, any real growth in the economy in 1985 would be marginal and would depend largely on whether the agricultural and oil sectors between them will record sufficient improvement to ensure an overall expansion in GDP.

Table 1: Percentage contribution of petroleum income to some economic variables (per cent)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Exports earnings	57.6	73.4	82.0	83.1	92.6	92.7	93.6	92.7	89.1	93.8	96.1	96.9	98.6	96.4	96.8
Gross Domestic Product (1) (current factor cost)	9.4	14.4	15.9	22.4	31.9	20.4	22.9	22.6	22.7	26.2	30.2/2/24.5	21.8	21.8	19.7	20.3
Government Revenue (1)	27.1	49.5	54.6	67.9	80.9	78.7	77.8	71.4	66.3	82.3	81.8/2/62.8	70.2	59.7	59.7	68.8

(1) Between 1970 and 1979 figures are for fiscal year, starting in April and ending March the following years.

(2) For nine months (April–December) 1980 only.

Sources:

- i) Central Bank of Nigeria Annual Report (various issues)
- ii) Federal Office of Statistics, Lagos.

TABLE 2
SELECTED MAJOR ECONOMIC INDICATORS IN NIGERIA 1975-1984
('000 Million)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
BALANCE OF PAYMENT										
(i) Overall Balance	+181.7	-309.2	-422.1	-1,364.8	+1,868.9	+2,402.2	-3,020.8	-1,398.3	-244.8	+362.12/
(of which Basic Balance	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-3,165.3	-4,184.4	-2,238.8	+552.22/
(ii) Exports (F.O.B)	5,116.1	6,343.4	7,976.6	6,632.6	10,836.8	14,186.7	11,023.3	8,722.5	7,612.3	8,670.42/
(of which crude oil)	(4,766.3)	(5,917.8)	(7,455.6)	(5,004.9)	(10,166.8)	(13,632.3)	(10,680.5)	(8,601.6)	(7,337.4)	(8,394.4)2/
(iii) Imports (C & F)	3,629.0	5,049.0	6,933.6	7,982.0	7,472.5	9,095.6	12,719.8	12,565.5	9,723.0	7,794.42/
(iv) External Assets	3,696.5	3,481.6	3,034.0	1,417.3	3,235.7	5,640.9	2,579.3	1,066.9	894.8	1,496.5
FINANCIAL AGGREGATES										
(i) Money Supply	2,044.1	3,293.0	4,794.4	5,089.7	6,146.6	9,226.8	9,744.9	10,048.5	11,282.4	12,204.1
(ii) Banking System Credit	488.6	2,617.3	5,537.4	8,068.1	8,855.2	10,780.1	16,268.5	21,906.8	28,182.1	31,141.6
(a) To Government Sector	-1,281.5	(199.5)	(2,038.4)	(3,345.1)	(3,438.4)	(3,589.2)	(6,614.3)	(10,535.3)	(15,828.2)	(18,199.6)
(b) To Private Sector	(1,770.1)	(2,417.8)	(3,443.0)	(4,723.0)	(5,416.8)	(7,196.9)	(9,654.2)	(11,371.5)	(12,352.9)	(12,942.6)
(iii) Quasi Money	1,578.4	1,985.9	2,263.1	2,609.8	3,710.6	5,170.6	5,803.2	6,845.4	8,066.5	9,396.4
PUBLIC FINANCE 1/										
(i) Revenue	5,514.7	6,765.9	8,042.4	7,469.3	10,913.5	15,234.0	12,113.6	11,630.42/	9,306.72/	11,331.72/
(ii) Current Expenditure	2,734.9	3,815.4	3,819.2	4,667.7	5,231.1	9,117.3	9,587.2	9,731.72/	9,624.62/	10,660.32/
(iii) Capital Expenditure	3,207.7	4,041.3	5,004.6	5,095.3	4,219.6	8,091.9	5,699.3	7,519.02/	6,385.82/	4,270.12/
(iv) Overall Balance										
(+ = Surplus; - = Deficit)	-427.9	-1,030.6	-781.4	-2,293.7	+1,462.8	-1,975.2	-3,173.5	-5,620.3	-6,103.7	-3,264.3
(v) Public Debt Outstanding	2,028.8	3,004.6	5,031.1	7,235.2	8,833.8	9,785.3	13,526.7	21,685.2	30,013.3	32,585.0
(a) Internal	(1,678.9)	(2,630.0)	(4,536.0)	(5,983.1)	(7,282.3)	(7,918.5)	(11,195.5)	(14,847.5)	(22,224.3)	(24,335.5)
(b) External 2/	(349.9)	(374.6)	(365.1)	(1,252.1)	(1,611.5)	(1,866.8)	(2,331.2)	(6,837.7)	(7,789.0)	(8,249.5)4/
PRICE INDEX (% CHANGE)	33.9	23.4	15.9	16.6	11.8	9.9	20.8	7.7	23.2	43.62/
(Food Component)	(41.9)	(22.0)	(19.7)	(16.4)	(8.0)	(7.7)	(25.2)	(8.9)	(23.2)	(46.7)2/
INDUSTRIAL PRODUCTION INDEX										
(% CHANGE)	-5.9	19.1	3.6	2.0	18.6	-1.0	-2.8	11.4	-4.1	-11.7
Manufacturing	(23.6)	(23.4)	(6.2)	(14.4)	(1.9)	(5.2)	(14.6)	(20.8)	(4.7)	(-18.2)

1/ Estimates

2/ Excludes unscheduled short term trade arrears.

3/ Figures as at end October, 1984.

n.a. Not Available

Sources: Central Bank of Nigeria Annual Reports
Federal Office of Statistics

Table 3: Nigeria: Gross Domestic Product at 1977/78 factor cost, 1977/78–1984 (₦ Million)

SECTORS	1977/78 (1)	1978/79 (2)	1979/80 (3)	1980 (4)	1981 (5)	1982 (6)	1983 (7)	1984 * (8)
1. Agriculture	7,305.3	6,673.7	6,472.4	6,071.0	5,720.7	6,495.3	6,155.0	6,272.2
2. Crude Petroleum	7,071.6	6,449.4	7,512.2	6,748.2	4,613.1	4,071.7	3,966.2	4,304.7
3. Other Mining & Quarrying	833.4	792.2	758.9	658.5	689.0	573.5	495.3	493.3
4. Manufacturing	1,555.0	1,778.4	1,908.6	2,244.8	2,458.3	2,526.5	2,216.7	2,172.4
5. Utilities	98.7	116.3	134.6	143.3	169.5	189.4	199.4	203.8
6. Construction	2,990.8	2,875.9	2,778.8	3,056.0	3,204.1	2,674.5	2,312.2	2,196.6
7. Transportation	987.1	1,047.0	1,122.7	1,247.0	1,391.0	1,457.2	1,230.9	1,184.1
8. Communication	52.2	56.9	61.1	64.4	67.1	66.5	68.7	69.6
9. Wholesale & Retail Trade	6,771.7	6,203.5	6,911.5	6,432.1	6,831.6	6,236.5	5,956.8	5,599.4
10. Housing	1,081.4	1,074.4	1,077.2	1,091.5	1,105.9	1,120.8	1,070.8	1,082.7
11. Producer of Government Services	1,676.6	1,441.7	1,511.0	1,687.4	2,150.8	2,280.4	2,143.0	2,046.6
12. Other Services	859.6	933.8	971.1	790.8	1,042.3	1,189.1	1,225.8	1,265.7
Total	31,283.4	29,443.3	31,220.1	30,232.0	29,443.4	28,881.4	27,040.8	26,891.1

Source: Federal Office of Statistics

* Estimates of the National Planning Office, Lagos.

Table 4: Nigeria: Percentage changes in real GDP (at 1977/78 factor cost) — 1978/79 - 1984

SECTORS	1978/79	1979/80	1980	1981	1982	1983	1984
1. Agriculture	- 8.6	- 3.0	- 6.2	- 5.7	+ 13.5	- 5.2	+ 1.9
2. Crude Petroleum	- 8.7	+ 16.4	- 10.1	- 31.6	- 11.7	- 2.5	+ 8.5
3. Other Mining & Quarrying	- 4.9	- 4.2	- 13.2	+ 4.6	- 16.7	- 13.6	- 0.4
4. Manufacturing	+ 14.3	+ 7.3	+ 17.6	+ 9.5	+ 2.7	- 12.2	- 1.9
5. Utilities	+ 17.8	+ 15.7	+ 6.4	+ 18.2	+ 10.5	+ 5.2	+ 2.2
6. Construction	- 3.8	- 3.3	+ 9.9	+ 4.8	- 16.5	- 13.5	- 4.9
7. Transportation	+ 6.0	+ 7.2	+ 11.0	+ 11.5	+ 4.7	- 15.5	- 3.8
8. Communication	+ 9.0	+ 7.3	+ 5.4	+ 4.1	- 0.8	+ 3.3	+ 1.3
9. Wholesale & Retail Trade	- 8.3	+ 11.4	- 6.9	+ 6.2	- 8.7	- 4.4	- 5.9
10. Housing	- 0.6	+ 0.2	+ 1.3	+ 1.3	+ 1.3	- 4.4	+ 1.1
11. Producer of Government Services	- 14.0	+ 4.8	+ 11.6	+ 27.4	+ 6.0	- 6.0	- 4.4
12. Other Services	+ 8.6	+ 3.9	- 18.5	+ 31.8	+ 14.0	+ 3.0	+ 3.2
Total	- 5.8	+ 6.0	- 3.1	- 2.6	- 1.9	- 6.3	- 0.5

Source: *Federal Office of Statistics.*

RESUME

La forte dépendance du Nigéria vis-à-vis du pétrole comme seule et unique source de devises et de revenus pour le gouvernement ainsi que le rôle accru de l'Etat comme unique agent pour la promotion de l'économie du pays ont été les principales causes des difficultés économiques du Nigéria. Ces deux éléments ont en effet largement contribué à la création d'un excès de liquidités dans l'économie du pays et ont fait des sources externes les principaux fournisseurs des industries alimentaires et des produits manufacturés. Les mesures d'austérités actuelles sont donc destinées à garantir une restructuration de l'économie dans les moyen et long termes pour augmenter la production, équilibrer la balance des paiements et obtenir une stabilité des prix internes. Les mesures prises jusqu'à présent n'ont pas toujours donné satisfaction pour des raisons diverses mais essentiellement pour des raisons de mauvaise exécution. C'est ainsi que, certains échecs s'expliquent par un manque évident de volonté politique tandis que d'autres sont dus tout simplement au fait que les citoyens n'étaient pas suffisamment prêts à faire les sacrifices nécessaires pour une collaboration franche et entière avec le gouvernement. En tout état de cause, pour guérir les maux de l'économie du Nigéria, les mesures suivantes s'imposent :

— L'économie de «mono-produit» dans laquelle le pétrole a installé le pays doit être abandonnée. Il faut donc qu'une importance accrue soit donnée à d'autres secteurs vitaux de l'économie à savoir — l'agriculture, le gaz naturel liquéfié, les industries pétrochimiques ainsi que les industries du fer et de l'acier.

— La politique de substitution à l'importation doit être aussi revue. Dans ce cadre, il convient de faire une distinction claire entre les industries de substitution à l'importation à fort usage de capitaux qui reposent essentiellement sur des intrants importés et celles à forte proportion de travail qui utilisent les matières premières locales. Le gouvernement doit prendre des mesures incitatives de nature fiscale et monétaire en faveur de ces dernières pour pouvoir changer la base des industries actuelles qui ont une valeur ajoutée faible.

— Le gouvernement doit enfin envisager la réduction de la taille du secteur public en confiant la gestion de certaines entreprises économiquement viables au secteur privé.

«HOME GROWN» (?) AUSTERITY MEASURES: THE CASE OF ZIMBABWE

By

Thandika MKANDAWIRE*

INTRODUCTION

Although this conference is about the IMF and economic stabilisation in Africa, it may be of interest to mention at the outset that within Zimbabwe the role of the IMF in shaping economic policy, and the extent to which current austerity measures are indeed «home grown» has been the subject of controversy and even bitter recriminations. Academic critics (1) and some members of the parliamentary opposition have suggested that the government's austerity measures were imposed by the IMF. One member of parliament went so far as to suggest that the IMF had «recolonized» Zimbabwe (2). Government officials have reacted sharply to these allegations. The Minister of Finance, Dr. Bernard CHIDZERO, has categorically denied the «views held by the school of thought that views the IMF as a major bogeyman to international finance» — a view he believed came from lack of understanding of the role for which the fund was established. Significantly, however, he added:

« In saying this, I am not the less critical of the Fund's tendency towards short-term management measures as against long-term development objectives, to say nothing of the general issue of conditionality. Yet I can assure this House that we are not unschooled in this regard, nor are we wanting in vigilance and negotiating versatility » (3).

One source of the controversy has been the secrecy shrouding the negotiations with the IMF leading to the 18-month standby arrangement reached on March 24, 1983. Commenting on the secrecy of the negotiations, the Herald (March 26, 1983) editorialized:

«Zimbabwe has a democratically elected people's government and therefore, the people, its supporters have the right to know what the IMF has asked of this country. It is in the public national interest».

Similar sentiments were expressed by the Sunday Mail (March 27, 1983).

The government could point to a series of measures that it had already introduced prior to the signing of the agreement with the IMF. An indirect support to the government's claim that its policies were «home grown» comes from Roger RIDDELL, former Chief Economist of the

* Deputy Executive Secretary, CODESRIA. This is a revised version of a paper written while the author was at the Zimbabwe Institute of Development Studies. Views expressed in the paper are strictly those of the author and not of institution to which he has been attached.

Confederation of Zimbabwe Industry, when he notes that government policies have in a «a number of key areas... even been harsher than the IMF proposed, as for instance in the sphere of wage controls and in the rapid reduction in food subsidies» (4). Critics might, however, argue that these measures were part of the fairly standard set of «preconditions» that the IMF calls for before any agreement is signed. In this debate both government and its critics may be partly correct. As KILLICK (5) notes it is quite possible that a number of measures written into a programme would have been undertaken by the government anyway with or without an agreement with the IMF, so that it is not necessarily the case that programmes consist chiefly of policies demanded by the IMF. There is so much interchange of views between the IMF and national officials and IMF conditionality is so familiar that virtually any government seeking IMF assistance ought to be able to draw up a programme acceptable to the IMF without the assistance of IMF staff. IMF programmes, despite claims by the IMF that they are tailor-made for each country, contain standard ingredients, the most familiar of these being: (a) devaluation of the domestic currency, (b) restriction of domestic credit, (c) reduction of government expenditure usually through removal of subsidies to consumers or ailing parastatal bodies, (d) upward revision of interests, (e) greater reliance on «market forces» for the setting up of prices, (f) introduction of policies favourable to inflow of foreign private capital, and (g) introduction of measures in favour of increased production of tradeables rather than non-tradeables (6).

Whatever is the true story, we shall give the government of Zimbabwe the benefit of doubt and simply assume that the austerity programme is indeed «home grown». We note, in passing, however, that the controversy does illustrate the problems of reconciling the exigencies of capitalist accumulation and the quest for political legitimacy. Having decided that accumulation in Zimbabwe would need a large dose of private capital – local and foreign – the state had to enjoy the «confidence» of capital and the IMF stamp of approval which is often considered crucial. This in turn, demanded a set of policy measures that would tilt the scales in favour of capital and against the popular classes so central in the struggle for independence and the political legitimacy of the state.

SOME SALIENT FEATURES OF THE ECONOMY

The recent economic history of Zimbabwe is an interesting and complex tale in which so many factors have played crucial roles. It is consequently not easy to disentangle one factor from the rest without doing damage to the historical record. During the last two decades the economy has had to weather economic sanctions and an armed struggle waged by the Patriotic Front; has been readmitted to the comity of nations following the attainment of majority rule and national sovereignty; has suffered the worst drought in recent history; has been the object of South Africa's destabilization measures; and has been a victim of the current world recession. We cannot, in such a brief study, give full cognisance of the economic effects of these experiences. We shall, however, give mention, albeit brief, to any of these factors whenever necessary.

In 1980 the population of Zimbabwe was 7,6 million, of which 3 % was white and 0,5% Asian. Since then, the percentage of whites has fallen as a result of emigration. Relative to the country's per capita income, the level of urbanization is low – about 20 % of the population concentrated in Harare and Bulawayo. By comparison, the average for the «lower middle income» countries (in which the World Bank has placed Zimbabwe) was 33 %, while 44 % of neighbouring Zambia's population was in the urban areas.

In 1982, 1,045,900 inhabitants were in wage employment, accounting for 14 % of the total population. Agriculture was the single largest source of employment absorbing approximately a third of wage employment. Other important sectors were manufacturing industry (15 %), private domestic service (11 %); public administration (8 %), distribution (7 %), mining (6 %) and transport and communication (4 %).

GNP per capita was US \$ 630 in 1980, comfortably placing Zimbabwe in the World Bank's lower middle income group. However, as a major outcome of the racist policies of the settler regime, there were great income inequalities between blacks and whites. The single most important source of inequality was the grossly skewed distribution of land, with the 5 % white population allocated about half of all the land. Wages of blacks averaged 10 % of those earned by whites. Great as these inequalities were from wage earnings, they still underestimated the full extent of income differentials between blacks and whites. While for blacks the bulk of income was derived from wage employment, for whites additional income came from such non-wage sources as profits and dividends.

One structural characteristic of the economy has been the decline of the proportion of Gross Fixed Capital Formation (GFCF) to Gross Domestic Product (Table 1). This fell from between 20 % and 30 % of GDP in the early seventies to around 15 % for the period 1978 to 1980. This low level of capital formation has created serious capacity constraints in the economy. It has contributed to what is generally considered as excessive ageing of the country's machinery and equipment, since little has been invested for replacement of worn-out equipment. This was made particularly clear by the relative fall in the foreign exchange allocated to imports of machinery and transport equipment from the mid seventies to the beginning of the eighties. As we shall see, the economy with such a weak base in its productive capital stock was unlikely to sustain the post-independence demand upsurge without serious inflationary pressures or massive borrowing abroad to sustain imports that would add to domestic supply. In any case, the present government has had to contend with the effects of the low levels of investment that took place in the seventies.

The imposition of economic sanctions by the international community forced the pace of industrialization and diversification. The share of the manufacturing sector increased rapidly and stood at an impressive 25 % of GDP in 1979. While in 1965, 600 separately identifiable products were made in the country, this number had reached 6,000 by 1980. The most dramatic transformation following systematic diversification was

agriculture where food production for the domestic market assumed a dominant role. The share of tobacco, the major export crop fell from 56.3 % in 1965 to 24.7 % in 1979. Crops such as wheat, cotton, soya beans, and coffee, gained in importance from a combined share of 1 % of agricultural sales in 1965 to 25 % in 1979.

Table 1: Key Economic Indicators

Year	Central govt's deficits (A) MIL. \$	GDP (B) MIL. \$	Rate of growth of GDP current prices (C)	Rate of growth of GDP 1969 prices	(A) (B) per cent	GDFCF % of GDP	Current account (surplus) deficit of GDP
1975	95.2	2012	—		4.7	24	3.5
1976	95.2	2179	7.82		4.4	19	(0.7)
1977	201.6	2217	1.71		9.1	18	(0)
1978	219.7	2339	5.5		9.4	15	(1.1)
1979	351.8	2780	10.85		12.7	14	2.6
1980	479.9	3531	27.01		13.6	14	4.4
1981	452.9	4528	28.2		9.9	15.5	9.7
1982	491	4983	10.1		9.9	19	10.7
Average Rate of Growth							
1975–1979	19.6	7.4					
1980–1982	1.2	18.4					

Source: CSO Quarterly Digest of Statistics, Dec. 1982.

As a result of the diversification and increased domestic production of previously imported goods there was a decline in the trade dependency of the economy, when this is simply defined as the ratio of imports and/or exports to Gross Domestic Product. For instance, the ratio of exports to GDP fell from 36.5 % in 1966 to 30.6 % in 1976, and has remained at that level ever since. The import/GDP ratio fell from 33.8 % in 1965 to 24 % in 1980. Nonetheless, Zimbabwe remains very dependent on foreign trade. More significantly, to the extent that there was a restructuring of the content of imports towards more «essential» commodities such as fuel, machinery and spare parts, the economy's room for manoeuvre as regards the magnitude of imports is limited. There are simply not many products that could be removed from the list of imports without adversely affecting the economy's productive capacity.

Although Zimbabwe's manufacturing is relatively well developed, enjoying substantial backward and forward linkages with the rest of the economy, it has proved not a particularly dynamic earner of foreign exchange. This is especially clear when one observes that of the Z \$ 171 million rise in manufactured goods exported from 1965 to 1980, two products, ferro-chrome and steel, accounted for nearly 87 % of the increase.

Several factors account for this lethargic performance of the manufacturing sector. Most important, as indicated earlier, were the sanctions. In addition, however, the high levels of protection, together with real economic expansion from 1967 to 1974, stimulated production of goods for the highly protected domestic market. Much of this expansion relied heavily on the excess capacity that was created during the Federation. As a result, although manufacturing rose rapidly between 1965 and 1975 this was achieved with very low levels of investment indeed. Consequently, serious capacity constraints were to emerge in the manufacturing sector and the sector has proved extremely inefficient and uncompetitive on the world markets.

TRADE AND BALANCE OF PAYMENTS

The rapid growth rate of the late 1960s and early 1970s came to a sudden halt with the onset of the first «oil crisis» in 1973. The «oil crisis» was preceded by an unprecedented rise in commodity prices. For Zimbabwe, the positive effects of this turn of events showed themselves in 2.2 points improvement in the terms of trade in 1971 and 4.0 in 1972.

In 1972, the net balance on current account was actually positive (Table 2). However, by the end of 1973 the inflationary pressures from abroad began to take their toll. Terms of trade fell by about 3 points in 1974 and in that year the deficit on the current account was \$ 52,8 million. The deterioration in terms of trade continued up to 1979 when the index reached 55.9 (1964 = 100). The removal of sanctions saw an improvement in trade which went up by 17 points in three years. 1983 witnessed a fall once again.

Table 2: Balance of payments: current account

Year	Merchandise Net	Investment Income Paid Abroad	Invisible Transactions	Net Balance on current account
1966	16.3	19.2	- 33.5	- 17.2
1967	1.5	13.4	- 27.0	- 25.5
1968	- 21.6	14.9	- 27.1	- 48.7
1969	26.6	17.8	- 28.5	- 1.9
1970	17.1	21.0	- 42.7	- 25.6
1971	0.7	30.4	- 53.9	- 53.2
1972	70.5	35.1	- 60.2	10.3
1973	75.1	35.1	- 98.6	- 23.5
1974	82.3	39.8	- 135.1	- 52.8
1975	47.7	45.0	- 118.7	- 71.0
1976	153.6	58.0	- 138.0	15.6
1977	144.3	47.0	- 145.7	- 1.4
1978	182.2	40.0	- 150.9	31.3
1979	139.1	53.0	- 215.5	- 76.5
1980	60.3	47.0	- 224.5	- 164.2
1981	- 46.0	110.0	- 393.6	- 439.6
1982	- 114.0		- 418.9	- 532.9

Source: *CSO Quarterly Digest of Statistics*, Dec. 1983; *Annual Economic Review of Zimbabwe*, August 1981.

The value of imports has jumped from \$ 438 million in 1974 to over a \$ 1000 million in 1983. However, the indices of volume of imports fell from 114.6 in 1974 to 66.4 in 1979 and was to exceed 1974 levels only in 1982. In other words the unit of value of imports more than doubled over the period.

With the onset of the second «oil shock» in 1979, the balance on merchandise account fell from \$ 182 million to \$ 139 million, despite the rise in the value of exports by 14 %. The value of imports rose by 34 %. The major contributor to this was the cost of petroleum products, the value index of which increased by 110 %. Chemicals, which are largely influenced by petroleum prices, increased by 24 %. Other imports increased by about 12 %. The result was a 16 % deterioration in the country's terms of trade.

All in all, Zimbabwe was in balance of payment difficulties at independence and of course before the second «oil shock» had set in. But what is certain is that for the 1980 to 1982 period, the situation had worsened because of a number of factors among which the recession may be included.

ECONOMIC GROWTH PERFORMANCE

One of the most significant effects of the recession has been the slow rate of economic growth and the decline in per capita incomes. Real per capita incomes declined from \$ 204 in 1974 to \$ 164 in 1979 and was \$ 192 in 1982 all calculated at the constant prices of 1969.

It was only after the end of the war and the lifting of sanctions at the end of 1979 that the economy was to witness positive real rates of growth once again although by this time terms of trade were at their lowest in years. In 1980 the economy expanded by no less than 14 % in real terms. This was undoubtedly an enormous upsurge and it restored in one single year all the lost output of the post-1975 recession years. In 1981 the real growth rate was 6 %. One major contributor to these high growth rates was the loosening of the foreign exchange constraints. This was facilitated by improved terms of trade and greater inflow of foreign capital following the end of sanctions. In addition, the stimulus provided by government expenditure and higher consumer demand mobilized the prevalent excess capacity into greater output. It is important to stress that investment played an insignificant role in the aggregate demand that was the basis for 1980–1981 high growth rates. As we noted, Gross Capital Formation was low (Table 1). This fact alone suggested how short lived the expansion would be as the economy ran into capacity constraints. And already in 1982 the negative impact of the second round of oil price increases in 1979–80 and the capacity constraint were to produce a real growth of –45%. In the following year output fell by 4.0 %. Estimates for 1984 are a 2 % fall in real GDP.

EMPLOYMENT

Between 1966 and 1975, wage employment increased in all sectors of the economy. By 1975, 1,050.2 million people were in wage employment. This figure was to be equalled only in 1982 (Table 3). One immediate effect of the recession was the reversal of this trend, as employment

Table 3: Total Employment and Earning (Annual Averages)

Year	Thousands	Earnings (millions \$)
1965	736.6	400.7
1966	747.5	411.7
1967	750.6	432.0
1968	790.0	470.0
1969	835.5	514.2
1970	853.3	559.0
1971	891.0	624.5
1972	952.9	699.1
1973	997.5	781.3
1974	1039.9	904.3
1975	1050.2	1049.6
1976	1033.4	1153.8
1977	1012.2	1247.6
1978	986.2	1333.0
1979	984.7	1501.6
1980	1009.9	1881.1
1981	1037.7	2394.6
1982 (Sept.)	1046.1	

Source: *CSO Quarterly Digest of Statistics*, Dec. 1983.

began to fall sharply so that by 1979 it had fallen to below 1973 levels. Only public administration increased its employment. If we confine ourselves to two major employers of labour – the agricultural and manufacturing sectors – we see that the two factors that contributed to the downturn were increased world recession which led to difficulties in importation of crucial inputs for the manufacturing sector and poor harvest due to climate and the security situation.

INFLATION

Higher fuel prices and higher prices for other imported goods immediately translated themselves into higher domestic prices. In the period 1965–75, the average year to year change in the price index was 2,6 %. However, between 1973 and 1974 the average rate of price increases jumped from 3,4 % to 7,1 %, this being the highest rate of change in the price index in over twenty years. The Reserve Bank (7) identified the following as main contributors to the inflationary process:

- i) real wage increases, without improvements in labour productivity;
- ii) higher sales taxes;
- iii) increases in food prices; and
- iv) rapidly rising import prices.

All these are cost-push factors, effective demand pressures having played a rather insignificant part in fanning the inflationary pressures in the economy. Of the above listed cost-push factors, it was the rate of increase in import prices that has been «the most persistent and significant, both directly and indirectly» (8). Import prices increased by between 10 % and 13 %. In these import prices increases of fuel costs played a preponderant role. Between 1973 and 1978 the rate of inflation fluctuated between 7,1 % and 10 %. 1979 witnessed an acceleration of price increases, caused mainly by a 39,3 % increase in import prices, largely associated with the dramatic increase in oil prices and wage increases of more than 12 % following the discontinuation of the wage restraint policy pursued in previous years and a further 11 % rise in food prices. By 1980, this acceleration in prices seemed short-lived as the rate of inflation fell to a relatively low 6,9 %. However, a year later the trend started in 1979 reasserted itself as price increases returned to their two digit levels. By 1983 the rate of inflation was over 20 %, apparently the positive effects of the removal of sanctions (the sharp drop in the rate of increase in import prices) and increases in labour productivity associated with the end of the war run their course during the year.

In a society so sharply divided along class and race lines, it is useful to further disaggregate the movements in prices for different income groups (table 4). The information available is up to September 1983 before the removal of subsidies for the low income groups. Estimates are that since then the rate of inflation in prices for the lower income families is over 30 % and about 16 % for the higher income groups.

THE DROUGHT

Magnifying the deflationary impact of the external shock and adding to the general atmosphere of uncertainty has been the worst drought in recent Zimbabwean history. The drought has so far lasted three seasons. Given the importance of agriculture as an earner of foreign exchange, supplier of raw materials to local industry, employer of labour and provider of food to the labour force, the drought could not but have had far reaching implications. Zimbabwe, which under normal times exports food crops, has had to import food crops especially maize which as late as 1982 earned the country more than \$ 40 million (two thirds of total food exports). Furthermore, the government has had to allocate substantial amounts of money to drought relief, thus tending to blunt the effects of austerity measures such as removal of subsidies. However, of even greater long-run importance is that land reform and resettlement, which are the linchpin of

Table 4: Zimbabwe: Consumer Price Index, 1964–1982
(1964 = 100)

Year	Higher Income – All Items Percentage Change		Lower Income – All Items* Percentage Change		Average Rate of Price In- crease %
1964	100.0	—	100.0	—	—
1965	101.7	1.7%	102.5	2.5%	2.1%
1966	104.3	2.6%	105.7	3.1%	2.9%
1967	106.4	2.0%	108.2	1.4%	1.7%
1968	108.7	2.2%	109.7	2.3%	2.3%
1969	111.7	2.8%	110.1	0.4%	1.6%
1970	115.6	3.5%	112.4	2.1%	2.8%
1971	119.1	3.0%	115.8	3.0%	3.0%
1972	124.3	4.4%	119.1	2.8%	3.6%
1973	128.8	3.6%	122.8	3.1%	3.4%
1974	138.5	7.5%	130.9	6.6%	7.1%
1975	149.2	7.7%	144.0	10.0%	8.9%
1976	162.6	9.0%	159.9	11.0%	10.0%
1977	178.2	9.6%	176.4	10.3%	10.0%
1978	190.0	6.6%	193.6	9.8%	8.2%
1979	211.5	11.3%	220.1	13.7%	12.5%
1980	231.0	8.4%	232.0	5.4%	6.9%
1981	264.7	14.6%	262.5	13.2%	13.9%
1982	313.5	18.4%	290.5	10.7%	14.6%
1983 (Sept.)	353.7	22.4%	343.0	17.0%	20.0%

Spirce:**Source:** *CSO Monthly Digest of Statistics*, April 1983.

the government «growth with equity» strategy, have been adversely affected, having been made more costly and uncertain in their effect on production. In considering policy responses in the next section it is, therefore, very important to keep in mind the spectre of the drought.

MONETARY TRENDS

Although in 1970–75 money increased steadily (Table 5) the increase was matched by average rate of growth of real output and therefore posed no inflationary pressures on the economy. As a result of the first round recession, 1975 witnessed a slowdown in monetary expansion when the demand for credit by the private sector fell as a result of the sluggish investment tempo and a decline in foreign assets. It was only in 1980 that the money supply was to show a sharp increase. In 1979 there was a slight increase in the money supply (M2) accounted for by increased foreign assets, claims against the private sector and a decrease in fixed deposits. Net claims against the Central Bank declined thus dampening the expansionary impact of private sector borrowing from the banks. In 1980 the increase in money supply was 34.2% caused by heavy borrowing from the

Table 5: Change in Money Supply (M2)

Year	Percentage Change
1968	0.5
1969	16.3
1970	13.0
1971	15.4
1972	13.9
1973	12.6
1974	18.4
1975	5.5
1976	17.5
1977	6.6
1978	13.4
1979	13.3
1980	34.2
1981	8.7
1982	19.4
1983	(less than) 1.0

Source: CSO *Monthly Digest of Statistics*, January 1983;
Reserve Bank of Zimbabwe, *Quarterly Economic Review*, several issues.

banking sector by both the central government and the private sector. The monetary expansion would have been greater were it not for the fall in foreign assets caused by increments in foreign exchange allocation for imports. In 1981 there was a modest increase in the money supply largely due to high lending by the banks to the private sector. With deterioration in terms of trade resulting in a decline in foreign assets, it became clear that the running down of foreign assets could not be seen as a long-term solution and it further became clear that domestic credit expansion would have to be restricted in the mid-term.

1982 saw a return to the historical rates of expansion of money largely due to increases in lending to the government and private sector. These were partially offset by decreases in other assets and increases in fixed deposits coupled with a \$ 5.0 million increase in foreign reserves. However, by the end of 1982 government had already instituted policies to restrict monetary expansion and the drain on foreign assets.

One important effect of the recession was the high levels of excess reserves held by the banks. The low investment demand, partly caused by political uncertainty but also by the foreign exchange constraints especially on the high import dependent manufacturing sector, accounted for excess liquidity in the system. Only after 1980 do we see a fall in the liquidity ratio.

DEBT PROBLEM

Largely as a result of sanctions Zimbabwe was at the time of independence the least indebted country in Africa. We do not have information on total external debt over the UDI period. One thing is clear though: up until 1976 public external debt declined in absolute terms and as a share of both GDP and export earnings. We do not have information over the same period for the private sector. However, if the country's debt service ratio in the years 1978, 1979 and 1980 for which we have information is anything to go by, private foreign indebtedness must have been low, although the low levels of outflow to service debt may also have been a result of the blocking of foreign funds.

Whatever is the true picture, the debt service-ratio (defined as debt service divided by export earnings) in 1978 was a mere 0.9%. With the attainment of independence and the removal of economic sanctions combined with the problem of falling export prices and volumes and increases in import prices and interest rates, Zimbabwe joined the ranks of other African countries facing the problems of debt repayment. By 1981, the debt service ratio was already 16% (Table 6). The following year it took up more than a quarter of the country's earnings and the estimates by the Minister of Finance was that this would reach 30% in 1983 and would only begin to decline in 1985 or so (9). The dramatic increase in public external borrowing must have contributed to the rigid rise in the foreign debt.

Table 6: Zimbabwe Debt Service Ratio 1978–1984

Year	Ratio
1978	0.9
1979	1.3
1980	2.9
1981	4.4
1982	16.0
1983	26.0
1984	30.0

Sources: (a) OECD Geographical Distribution of Financial Flows to Developing Countries, 1978/81, (Pans, 1982);

(b) *CSO Monthly Digest of Statistics*, April 1983;

(c) World Bank, *World Development Report*, 1983;

(d) Zimbabwe, *Budget Statement*, July 1983.

POLICY ISSUES AND RESPONSES

Because of the war situation and economic sanctions it is not easy to relate pre-independence policy to specific economic problem. In general, the Rhodesian regime, despite its professed laissez-faire ideology, interfered extensively in economic affairs. However, because of the peculiar

political and economic position of the country, a number of measures carried out were of a highly *ad hoc* nature, the *leit motif* of all of them being maintenance of white privilege, attraction of whites to Rhodesia and financing the war. As the war intensified, some desperate measures were adopted to bolster the beleaguered MUZOREWA regime. The white power establishment allowed MUZOREWA a profligate budget in 1978 so that the government was able to introduce a whole series of consumer subsidies on a number of mass consumption goods.

The new government of Zimbabwe was confronted with an entirely different set of socio-political parameters and international environment. With a population expecting substantial changes in access to productive assets and social services on the one hand and a nervous minority to be persuaded to stay in the new Zimbabwe on the other, the government was faced with serious policy dilemmas. The government's major policy declaration on the economy called for «growth with equity», presumably on the grounds that only a high rate of growth would permit improvements in the living standards of the majority without adversely affecting the white minority. In other words, the policy of «reconciliation» called for high growth rates if only to avoid zero-sum game situations.

The National Transitional Plan predicted a growth rate of 8.2% growth for 1982–1985. Such optimistic objectives were apparently based on the post-war boom of 1980–81 and the widespread expectation of economic recovery in the advanced capitalist countries. In retrospect, the expectations were unfounded. The post-independence boom was based on the rather fragile ground of increases in consumers' demand and the using up of extant capacity. And as we observed above investment demand played no role in this upsurge of economic activities.

Consequently no foundations were laid for future expansion. Nevertheless, the fact remains that for the first three years the economic measures adopted were basically optimistic about a number of determinants of the rate of accumulation and government's sources of revenue.

FISCAL POLICY

The end of the war led to an immediate shift in government expenditures. The combined share of Defence and Home Affairs dropped from 40% to 23% while Social Services (Education, Health and Local Government and Housing) increased from 20% to 27%. Partly to meet the pent-up demands on the state by the majority it now represented, government expenditure went up sharply after independence. In 1980 budget, government expenditure was 16.8% higher than it was in the previous year. In 1981 it went up by 25.7%. The growth was 27% in 1982 and 36.7% in 1983. This should not, however, suggest that the government had opted for an inflationary fiscal policy. The high increases in government expenditure were (at least in the first three post-independence years) accompanied by even higher increases in government revenue. Revenue receipts which had declined in 1979, went up by 15% in 1980, 47.9% in 1981, 36.2% in 1982, and 30.4% in 1983. However, by mid-1982 and certainly

by the end of the year, it became increasingly clear that with deteriorating balance of payments, worsening fiscal position, growing indebtedness, persistent drought and rather weak signs of world recovery, switches in policy were necessary. The need to do something about the situation was quite clearly voiced by the Minister of Finance, Dr. CHIDZERO, on December 9, 1982 when devaluation of the dollar was announced and we take the opportunity to quote him at length:

«Our balance of payments – the income and expenditure account for our transactions with the rest of the world – has moved into serious deficit, a deficit that has been partly financed by long-term capital inflows, including project finance and Zimcord resources, but more particularly by the running down of our foreign exchange reserves and by the use of short-term commercial borrowing. That is not something we can go on doing for very long, and unless we can see it only as a bridge across a short-term difficult path we cannot, we must not, unduly burden our future export earnings with debt service obligations. Rather we must now curtail our demand and our consumption, and match these with our own earned resources. In short we cannot live beyond our means. Already government has reduced substantially the allocations for imports in the last quarter of 1982 and has tightened exchange controls and these savings measures will be continued into 1983. But dealing with this side of the equation is not enough on its own. We must also address the earnings side. We must take measures which will promote exports in a highly competitive world, and will sustain production for exports in a period of depressed market prices for our minerals, agricultural produce and manufactures. To do these things we must take a number of policy measures for adjustment» (10).

On the revenue side the government introduced additional measures expected to yield an additional \$ 150 million. The surcharge on company and individual taxes was increased from 15% to 20%. The general sales taxes on selected consumer durables rose from 18% to 23%. Customs and excise duties were also raised. Most controversial of these measures was perhaps the introduction of a 2% tax on income of persons in employment earning over \$ 100 per month who are not liable to pay-as-you-earn schemes. This would drag in an estimated half a million people into the tax collectors' net.

Even prior to this policy statement, there were signs that, during the second quarter of the 1982–83 fiscal year revenue would fall short of budget projections as a result of poor performance of the corporate sector and lower than expected growth in personal and indirect tax receipts due to stagnant levels of employment and domestic demand. It became clear to government that the prospective deficits would be unsustainable and that budgetary restraint was necessary. A freeze on new staff recruitment was imposed and so were cancellations of or cuts in many

appropriations for new equipment and projects. In any case total expenditure for the 1982–83 fiscal year increased by 36.2% to \$ 2587 million which was less than the projected 47.8% expansion in expenditure.

It was only in Zimbabwe's third budget of 1983–84 that the implications of the recession on fiscal policy were fully taken into account. Total expenditure was to amount to \$ 2810.9 million; a figure 8.7% higher than the out-turn for the previous year but less than the planned expenditure for the year 1982–83 and, considering the two-digit level of inflation, the «stand still» budget actually meant reduced government expenditure in real terms.

Quite clearly, despite the high expectations of the population and impressive strides in rural health and education, government fiscal policy was basically «prudent» especially when one considers what other «populist» regimes in Africa have done.

MONETARY POLICIES

As early as February 1981, the Reserve Bank felt that the economy was overheated and additional measures to dampen demand and the expansion of money had to be imposed. On February 27, 1981 the Reserve Bank raised the bank rate from 4.5% (which had prevailed for more than 15 years) to 6%. The prime lending rate of commercial banks also went up from 7.5% to 9% while all other lending rates and savings rates moved up in sympathy with these changes. The main objectives of the Bank's measures was «to promote savings and to discourage non-essential and postponable expenditure under conditions of growing inflationary pressures that have been accompanying the high level of economic growth». These measures were also to contribute towards the curbing of «excessive» monetary expansion. The Bank felt that even when viewed against the spectacular real growth of 1980, the 34% expansion in money was simply not sustainable.

A few months later, on September 17, 1981 the Bank had once again to raise the bank rate from 7% to 9% pushing up the commercial bank's prime lending rate which reached 13% with immediate effect. As one can see in Table 7 other lending rates also went up in sympathy with movements in the bank rate.

Other measures included imposition of higher liquidity ratios. The statutory ratio, which was 20% in 1980, reached 30% by March 1984. On March 28 it was raised to 35%, and with effect from June 21, 1984 it will be 40%.

DEVALUATION OF ZIMBABWE DOLLAR

On December 9, 1982 the Zimbabwe dollar was devalued by 20%. In 1984 it deteriorated further against all major currencies so that, for example, effectively the devaluation of Zimbabwean dollar against the U.S. dollar has been close to 40%. This is of course partly a reflection of

Table 7: Lending Rate

End of	Commercial Bank	Accepting Houses	Finance Houses	Building Societies	
	Minimum overdraft rate	Minimum rate on acceptance credits	Hire purchase rate (2)	Mortgage Residential property	Advances Commercial property
1975	7,50	6,00	10,00-17,54	7,25	8,00
1976	7,50	6,00	10,00-17,54	7,75	8,50
1977	7,50	6,25	10,00-17,54	7,75	8,50
1978	7,50	6,25	10,00-17,54	7,75	8,50
1979	7,50	6,25	10,00-17,54	7,75	8,50
1980	7,50	6,00	11,00-17,54	7,75	8,50
1981	13,00	11,25	17,00-23,00	13,25	14,75
1982	13,00	10,65	18,00-23,00	13,25	14,25

Source: Reserve Bank of Zimbabwe, *Quarterly Economic and Statistical Review*, 4 (4), December 1983.

the general firming of the dollar against virtually all other major currencies. Consequently, the fall of the Zimbabwean dollar against other currencies was milder. The rationale for the devaluation was that it would help establish equilibrium in the balance of payments by raising the domestic price of tradeables, thus stimulating the transfer of resources to exports and reducing imports which would now be dearer in terms of the domestic currency. Furthermore, devaluation would make the country's exports more competitive in foreign markets. The latter is particularly important for those exports which are not denominated in foreign currency.

ECONOMIC LIBERALIZATION

During the UDI period, because of the imposition of sanctions, counter-measures were taken to conserve foreign exchange and as a form of retaliatory action. Profits, interests and dividends emanating from foreign investment from the U.K., U.S.A. and Canada could not freely be remitted to outside the country. The government decided to do away with the discriminatory aspect and to facilitate remittance of investment incomes. The government was of course aware of the balance of payments cost of such liberalization. The Minister of Finance argued:

«It is axiomatic that no foreign investor will invest money in future development in Zimbabwe if he is debarred from repatriating that investment when he so desires. Thus all new venture capital invested in Zimbabwe, irrespective of source, and which has been

transferred through banking channels, may be freely repatriated after a period of two years subject only to the relevant amount being reduced by any income that may have been remitted in the two year period...»

«The net cost in a full year is likely to be between \$ 40 and \$ 45 million and will have an adverse impact on the balance of payments in the future. It is my judgement that the gain will outweigh any loss. I shall review the position from time to time to determine if further relaxation will be possible» (11).

In addition from July 1, 1980, current interest earned on accumulated blocked funds, which might include dividends and profits that have been paid to blocked accounts, would be freely remittable to both companies and individuals.

The Minister's expectation was that the «changes in policy which I have just adumbrated will go far to satisfy the foreign investor and financier». He hoped that the foreign investor and financier «will recognize the sincerity of this government's undertakings, and that they will now see this country as a stable and sound area for investment».

It is important to keep these remarks in mind because the attraction of foreign investment has been a major objective of government policy and has in many ways coloured the government's perception of its options.

One immediate effect of this was a rather dramatic increase in net investment income paid abroad (Table 2). The expected inflow of foreign capital was not forthcoming. And so in March 1984 the government was to dramatically reverse its policy in order to stop the large leakages of surplus through invisibles. The government imposed a «temporary» embargo on profits remitted abroad (except on investments made since 1979) and tighter controls on some emigrants income. The government was also to acquire the foreign investment held by Zimbabwean residents in exchange for government bonds. To charges that this was a first step in the nationalization programme of a self-proclaimed socialist government the Minister of Finance retorted that this was «utter nonsense» (12). The Minister has been at pains to stress the temporary and conjunctural nature of these measures:

«We need all the investment we can attract, whether private or public; and you can be sure we are aware of the importance to the private sector of the ability to remit. It can be a crucial factor in decision making, and the recent package should be viewed in light of this understanding» (13).

We shall return to this problem of liberalization when we discuss the more general question of policy options.

SOME SOCIO-ECONOMIC EFFECTS OF THE AUSTERITY MEASURES

What have been the effects of the adjustment measures adopted on the economic performance of the economy? This is a central question yet one most difficult to answer because of the short time span during which the measures have been in force. One other problem is that the short-term effects of these measures may totally differ from the long-term outcomes, or so at least the government hopes. However, as Keynesians have argued, policy is usually made in the short-term and one must not ignore the short-term costs of policies given their differential impact on different social groups. In any case government is aware of the short-term costs of its adjustment policies and the Minister of Finance has not been averse to making Churchillian appeals for sacrifice and patriotism during these hard times. In this section we shall consider the socio-economic effects of government policy in light of what has actually happened. Final judgement will have to wait a little longer and will require more refined data and analytical tools than those used here.

We shall begin with what is for Zimbabwe the central issue of redistribution of assets and incomes. We noted earlier that the government's strategy aimed at «growth with equity». Consequently, one would expect the government to adopt a stabilization programme which is at least neutral in its distributive effects. Those who advocate the rather monetarist programme adopted by the government argue that the control of supply of money, reduction of government deficit, «setting prices right», exchange rate devaluation and doing away with subsidies produce neutral distributive effects by reliance on the non-discriminatory «invisible hand» of the free market. If it does cause shifts in income distribution it is at the expense of «privileged groups» such as highly protected oligopolies in the import substitution sector and organized labour receiving subsidies and highly inflated wages. Potential beneficiaries of the monetarist programme are supposed to be producers in the tradeable sector and small-holder producers in the usually unprotected agriculture sector. In the case of Zimbabwe, the Finance Minister has actually argued that removal of subsidies on commodities largely consumed by wage-earners would benefit the poor in the communal areas who never bought the subsidised products (14).

It is too early to judge the distributive effects of the current programme. In capitalist economies one major source of income for vast numbers of people is wage employment. Decline in employment has therefore profound effects on income distribution. Experience elsewhere suggests that the kind of demand management measures adopted by the government may add to the reduction of employment in the economy. First we have the effect on overall growth. In general such packages lead to decline in growth rates at least in the short-term. Indeed the IMF which encourages the type of demand management measures adopted by the government states:

«Experience with the process of stabilization has been that growth rates in the short-run may fall below their previous trends. Available evidence indicates that there is little scope for avoiding outcomes of this sort».

There is extensive literature tending to confirm the fact that a number of demand management policies usually adopted by government may lead to unforeseen reduction in output (15). Take the case of devaluation; one expectation is that the loss of jobs due to contraction in the demand for non-tradeables will be more than compensated by expansion in the tradeables sector towards which productive resources will have been shifted. This is more likely to happen if the tradeables sector is relatively labour intensive. In Zimbabwe the expectation has been that devaluation would raise the domestic price of exports, raising profit margins and thereby stimulating investments. There is evidence to suggest that although profit margins of export firms have improved, there has been no increase in investment in the export sectors or in volume actually exported. Levels of exports have risen by only 7 % in nominal terms but in real terms have declined by over 30 % during the last two years. Several factors may account for this lethargic response to measures designed to stimulate investment in the export sector. One factor hinted upon by the Reserve Bank is the excessive stocks held by exporters coupled with continued low worldwide demand for the country's exports. There may also be the «animal spirits» of the capitalists that explain the reticence of investors. Furthermore, some important exports of Zimbabwe are denominated in foreign currency and are unlikely to be more demanded because of the devaluation. Consequently there is no increase in employment in the tradeables sector to compensate for the deflationary effects of the demand management measures on the non-tradeables sector.

EFFECTS OF WAGES

One characteristic of orthodox stabilization programmes is the asymmetric treatment of goods, prices and wages (16). Prices of all other commodities are suddenly freed after a period of repressed inflation while the nominal price of labour power (nominal wages) are frozen. Although there is still some form of price control, a similarly asymmetrical treatment of prices of commodities has taken place to the detriment of those who sell their labour power. We already noted that a wage freeze had been imposed, and in those cases where wage increases were allowed, these fell short of the rate of inflation. However, for most wage earners the real crunch was to await 1983.

One major component of the deficit reduction measures was a drastic cut in producer and consumer subsidies. Historically, the government has subsidized producers of certain controlled products, produced largely by white commercial farmers. It was only in 1979 that the then government of Bishop MUZOREWA, for reasons given above, introduced consumer subsidies. Other implicit subsidies to producers took the form of

favourable transportation tariffs for such products as maize. As Table 8 shows both producer and consumer subsidies rose sharply between 1980 and 1983, from \$ 37,7 million to \$ 126,5 million, an average annual increase of 78,5 %. On September 2, 1983, the government reversed the trend by first reducing consumer subsidies by 35 %. Subsidies on some products were completely removed. Producers subsidies were generally not only maintained but were actually increased by as much as three fold for maize. In the 1983–84 budget, drastic cuts in both producer and consumer subsidies were carried out. Total subsidies fell by 49 % (see Table 8).

Table 8: Zimbabwe: Producer and Consumer Subsidies 1980 to 1984
(Estimates) Z \$ million

Type of Subsidy	1980	1981	% change	1982	% change	1983	% change	1984	% change
Producer Subsidies									
Beef		9.6	—	25.7	168%	33.2	29%	36.5	10%
Dairy		4.5	—	10.4	131%	18.5	78%	+	—100%
Maize		9.7	—	5.1	— 47%	22.8	348%	+	—100%
Soya beans		1.9	—	1.0	— 47%	+	—100%	+	—100%
Drought relief		10.0	—	+	—100%	+	0%	+	0%
Total producer	29.6	35.7	21%	42.2	18%	74.5		36.5	51%
Consumer Subsidies									
Bakers flour		14.9	—	8.5	— 75%	+	—100%	+	0%
Edible oils		5.0	—	6.2	24%	+	—100%	+	0%
Maize meal		12.5	—	64.8	418%	—		—	0%
Opaque beer		0.7	—	0.4	— 43%	+	100%	+	0%
Total consumer	8.1	33.0	307%	79.9	142%	52.0*	35%	28.0*	— 46%
Total Producer & Consumer	37.7	68.7	82%	122.1	78%	126.5	4%	64.5	— 49%

Source: *Estimates of Expenditure for 1981, 1982, 1983 & 1984.*

+ not indicated — implying zero.

* wheat and maize meal subsidy only.

— not available.

The removal of subsidies had quite dramatic effects on prices of basic commodities. Table 9 shows clearly the effects of these changes on controlled prices. Government sought to lessen the burden by awarding wage increases for those who on September 1 were earning \$ 300 per month or less. The increase were \$ 5 per month for workers in the agricultural, mining and domestic service sectors and \$ 10 in all other sectors. Considering the minimum wages in the various sectors, it is clear that the increases in wages were not more than 10% and was considerably lower for workers close to the \$ 300. Given the dramatic changes in the low income consumer index caused by the overall inflation and the more direct effects of the removal of subsidies, wage earners suffered severely and saw losses of most of the gains made since independence as a result of increased minimum wages.

Table 9: Zimbabwe: Changes in Prices of Basic Consumer Items
1982-1983

ITEM	Y E A R		% Increase
	1982	1983	
Maize meal: 5kg:			
Roller meal	76 c	98 c	22 %
Super refined	\$ 1.57	\$ 1.62	3 %
Loaf of bread:			
Brown	26 c	33 c	27 %
White	28 c	35 c	25 %
Cooking oil, 750ml	\$ 1.04	\$ 1.50	44 %
Meat: 1kg:			
Super filet	\$ 3.92	\$ 5.92	52 %
Rump	\$ 3.30	\$ 5.14	52 %
Wingend	\$ 2.38	\$ 3.64	53 %
1 kg Grade 2:			
Filet	\$ 3.30	\$ 5.50	67 %
Rump	\$ 2.86	\$ 4.73	65 %
Wingend	\$ 2.10	\$ 3.55	69 %
Milk:			
600ml	13 c	24 c	85 %
300ml	7 c	12 c	71 %

Source: Ministry of Trade and Commerce.

EFFECTS ON THE URBAN POOR

We noted earlier that critics of the monetarist solution adopted by the government generally argue that they harm the poor. Although there are no detailed household surveys with which to gauge the effect of the recession and stabilization measures on different income groups, one can use simple tools to detect the direction if not the magnitude in the movement of the earnings of the poor. Since 1974 Zimbabwe has had estimates of the Poverty Datum Line (PDL) defined by the Riddell Commission as «the income required to satisfy the minimum needs of a family of a given size and composition within a defined environment in a condition of basic physical health and social decency». The original PDL study conducted in 1974 by the University of Zimbabwe, was updated by the Riddell Commission in 1980 to take into account changes in the cost of living and the reforms by the new government on fees for schools and medical services. We have for our purposes upgraded the 1980 PDL to take into account changes in the cost of living in the last three years.

The Riddell Commission undating of the PDL came up with an estimate of \$ 128,52 as an average of PDL incomes indicated in Table 10. The minimum wage in industry and commerce was \$ 85 with effect from January 1, 1981. In other words the minimum wage was 50% less than the

Table 10: Urban Poverty Datum Line Incomes for a Family of 6 on \$
per month – December 1980

Code	Harare	Bulawayo	Masvingo
G	126.14	131.46	117.62
H	132.93	138.33	124.65
Average:	128.52	/	
Source:	<i>Report of the Commission of Inquiry into Incomes, Prices and Conditions of Service, 1981.</i>		
Note:	G is a family consisting of a man and a woman, an infant, a boy aged 5–8, a girl aged 11–12 and a boy aged 13–14. H is a family consisting of a man and a woman, a girl aged 5–8, a boy aged 9–12 a girl aged 13–17 and a boy aged 15–18.		

PDL income. It was apparently on the basis of this that the Commission recommended certain wage increases. By the end of 1983, the minimum wage in the industrial and commercial sectors had reached \$ 128,72. However, by the end of 1983, the average PDL was \$ 201 (table 11). Thus the minimum wages in the best paying sector fell far below the PDL for the year. With an estimated PDL of \$ 158,6 for that year close to 50% of wage earners in the non-agricultural sector earned less than \$ 150 a month. With the wage repression in the last two years and acceleration in the rate of inflation, the number of wage earners falling below the 1983 PDL has increased substantially. Things got worse in 1984 when in addition to rapid increase in prices, the government introduced a 2 % tax on those earning \$ 100 a month as part of its austerity measures.

Table 11: Estimated Urban Poverty Datum Line Incomes for a Family of 6 in \$
per month – December 1983

Code	Harare	Bulawayo	Masvingo
G	197.2	205.6	183.96
H	207.9	216.3	194.90
Average:	200.		
Note:	The estimates are based on increases of the low income consumer price index of 13.2 % for 1981, 10.7% for 1982 and 32.5 % for 1983.		

EFFECTS ON THE RURAL POOR

Most of the poor of Zimbabwe live in the rural areas either as workers on commercial farms or as smallholders. The government has argued that in general some of the most severe austerity measures have been aimed only at the more privileged urban dwellers. Indeed, *prima facie*, some of the measures could have benefited the poor if they led to an improvement in the terms of trade in favour of agriculture. This is one of the

strong arguments advanced by the advocates of IMF-type adjustment programmes: removal of protection for inefficient local industries favours the agricultural sector by making available to it cheaper inputs and consumption goods. In addition if the full effects of the devaluation are allowed to trickle down to the small producers of tradeables, then the domestic price of the products will be high. To understand the full effects of recent policy measures detailed information on terms of trade, the share of gains between middle men (or marketing boards) and peasant farmers would have to be known. This information was not available at the time of writing the paper.

However, in the context of Zimbabwe, absence of such information does not prevent us from saying something about what is happening to the rural poor. This is largely so because the agrarian question evolves around the issue of land distribution. Expenditure on acquisition of land and resettlement schemes is probably a more important indicator of what is happening to rural poverty than are the market relations discussed above. In this respect one item of expenditure whose reduction is of significant political saliency is that of the allocations to the Ministry of Lands and Resettlement which was among one of the sharpest curbs. Land redistribution is the centrepiece of the «growth with equity» strategy. Implementation of the land acquisition and resettlement programme was already under severe strain even before the current financial squeeze. Some argue that the drought and administrative deficiencies accounted for the slow progress. They argue that it is just as well there is a slackening of the resettlement programme given the deficiencies of the past schemes and the stretching of the existent implementation capacity (17). One could then argue that the reduction in expenditure on land reform is dictated purely by internal management and implementation problems rather than by budgetary responses to the recession.

Yet certain pronouncements by government suggest that the government would have wished to have additional funds for its resettlement programme. The Prime Minister has, for instance, blamed Britain for being slow in releasing funds that, according to the Lancaster House constitutional agreement, Britain was to donate to Zimbabwe for purchase of land. Britain has, in turn, retorted that it is Zimbabwe which has failed to release the counterfunds for the project. For every amount Zimbabwe releases Britain is to release an equivalent. It is tempting to surmise that given the urgency with which the government views the land question and the sense of frustration at the slowness of the pace voiced by the Prime Minister, the adopted adjustment measures have played a role in the allocation reduction. In any case, given the monetarist flavour of the adjustment programme such «social» programmes as land reform are easy candidates for the fiscal guillotine.

We noted above that the Minister of Finance has suggested that the removal of subsidies can only have affected the privileged urban population. Two special characteristics of Zimbabwe today would raise questions about the Minister's assertion. One is the reliance of significant sections of

the rural population on remittances and purchases of goods by relatives in urban areas (18). This dependence on urban incomes has been further deepened by the drought. Quite clearly any further burdening of the urban dwellers must affect the level of remittance to the rural areas. This is an area calling for more research. However, there does seem to be sufficient *prima facie* evidence that the rural poor have been adversely affected by some of the measures adopted by the government against urban dwellers.

GENERAL MACROECONOMIC EFFECTS

We have already noted the decline in output accompanying the stabilization measures. This it seems was expected by the policy makers. What perhaps is most disheartening for policy makers is that despite the great social sacrifices entailed by the programme, the macro-results are so far dismal. Sure, there has been an improvement in the balance of trade and the deficit on visible trade has been removed. However, this improvement has been achieved largely through decline in imports by 60% in real terms. Improvement in exports in 1984 seems largely to reflect favourable movement in world prices and demand for Zimbabwe's major export than foreign exchange policies. Such a dramatic fall in imports could only signal a severe slump in output and investment. In the capital account there was no improvement in the deficit presumably because one crucial expectation by the government that there would be an increase in private long-term investment did not materialize. In the words of the Reserve Bank «private long-term capital inflows were minimal». One of the main arguments for seeking the IMF stamp of approval is the expectation that this will attract long-term foreign investment. So far Zimbabwe's performance in this respect has been poor, and we have already noted government's attempt to stem the further outflow of investible surplus.

In most Third World countries, inflation has proved more intractable than the authors of stabilization policies had expected. The persistence of high rates of inflation in a country whose stabilization measures have not been preceded by hyperinflation must be surprising. The Reserve Bank's comment in this is noteworthy:

«Furthermore, despite the recession and the weak balance of payments situation, the rate of inflation has remained high, with prices increasing over the past eighteen months at an annual rate of between 15% and 20%. This has taken place despite tight control of the money supply (money supply has risen over the past twelve months by less than 1%), which in turn reflects both fiscal restraint and significant success in financing the budget in a non inflationary manner. The government has also pursued a policy of wage restraint but, notwithstanding these policies, inflation has remained high, largely due to the impact of imported inflation, particularly following the depreciation of the exchange rates: a significant decline in output and the impact on prices of the decision to reduce subsidies on a wide range of basic food commodities» (19).

All in all, the stabilization policies adopted by government have failed to achieve any of the short term effects that are usually used to justify the immediate hardships the policies bring with them. There has been not let-up on inflation, the balance of payments situation has not improved, foreign investments have not been forthcoming and increases in exports have not taken place at the expected rate.

The question that immediately arises is whether the government had any other options. Armed with hindsight, one can see that much of the early optimism of the government was unfounded and that there indeed were serious errors of judgment. It is clear that the decision to somewhat liberalize the capital account was wrongheaded. Given the very high rates of interest abroad, the relative newness of the government and the uncertainty about political events in the country, the measures to «de-block» profits, interests and dividends were premature. To the extent that the austerity programme was indeed «home made» it is difficult to understand the government's decision to take such a high risk based on unknown responses by foreign investors and financiers. Indeed given the general reticence of foreign capital to reinvest in the Third World during this period and its tendency to repatriate profits to high interest rate hard currency economies the dangers inherent in the decision should have been foreseeable.

It seems the government was too anxious to establish its credentials with the financial world. There was thus the mistake of treating the trade and capital account similarly during the «liberalization» period. Indeed, if one of these accounts was favoured it was the capital account. There is, however, a strong case against liberalization of the capital account ahead of the trade account given the differences in the relative sensitivities of the two balance of payments accounts. The government seems to have reversed the sequence and thus created severe problems of capital outflow and weakening of the basic balance.

We noted earlier the sluggish performance of the economy between 1974 and 1979 and the low levels of capital formation during the period. It was thus imperative that government policy should seek to raise the level of investment if the high growth rate indicated by the National Transition Plan was to be met. In the absence of any explicit policy statement it is fair to surmise from government policy and practice that too much faith was placed on private and especially foreign investment to raise the level of capital formation. Consequently in the austerity measures government's own investment programme does not seem to have been given priority. Indeed, the public investment programme has been slashed by about 25 %. The use of public investment in a countercyclical manner and to offset the fall in private investment during such periods has been pursued by governments infinitely more conservative than the government of Zimbabwe. One would have thought that, given the absence of any ideological bias against state investment *per se*, such an option to sluggish private investment would have been seized upon.

There is little doubt that some austerity programme was necessary and that consumption had to be curtailed, although this does not itself answer the vital question about whose consumption. Such a reduction in consumption need not have gone together with reduction in investment. In a country such as Zimbabwe austerity measures ought to have clearly discriminated between consumption and investment demand and in the case of the latter it seems naive to have expected the private sector to have taken the initiative, given the inherently myopic view of the sector's investment decisions, and its poor performance during the last decade and the «wait-and-see» attitude of both domestic and foreign capital. Government deficit could have been reduced by increasing taxes, reducing current expenditure, and at the same time expanding public investment. Given the ideological bent of the government, this strategy would have been compatible with the long term objective of increasing the role of the public sector in the economy.

We noted that government policy was based on the acceptance of a capitalist economy during the «transitional» period. However even with this option, the government generally adopted measures that only deepened the neo-colonial structure of the economy and weakened the position of local capitalists vis-à-vis international capital. In order to attract foreign investment, the government ignored its own investment code restricting the purchase by foreign capital of on-going locally-owned industries. Thus two transnational firms (Dalgerty and Heinz) were allowed to take over well-run and profitable food-processing firms.

The government has opted for an export-oriented development strategy. And if the Heinz-Dalgerty deals are anything to go by, such a strategy will increasingly rely on transnational corporations. We will not go into the economic feasibility of such an option for Zimbabwe. What is of greater interest is the fact that in general such strategies demand a «disciplined» and docile labour force which can only be ensured by «strong», authoritarian government.

The distribution of the burden of the austerity package has been biased against the poorer sections of the society. We noted that the increase in the low income consumer price index has been twice as much as that of high income consumer index. We also noted the introduction of a 2% tax on low wage earners and the removal of subsidies on basic commodities.

One major complaint by Third World governments has been that the IMF is «insensitive» to the political implications of its proposed austerity measures. Imposition of IMF austerity measures has led to «rice riots» and even to the overthrow of regimes. In the case of Zimbabwe, the imposition of harsh austerity measures on a population that justifiably expected improvements in its living conditions after years of racial injustice and war was a courageous step by the government. Yet, at the time of revising our paper, the IMF had suspended its stand-by-agreement with Zimbabwe reportedly for failure to meet some of the stipulated targets. In other words, the IMF was calling for more blood at the time when there was growing resentment of the austerity package and when the ruling party was fighting for its re-election.

It is probably a measure of government's popularity that so far there has been no open confrontation between the state and labour. However, prolonged existence of these measures does not augur well for the socio-political stability of the country. Given the enormous income disparities in the country, there surely was much more room for austerity measures that would not have placed upon the poor so much of the burden. For instance, income taxes could have been made more progressive, sales taxes more discriminatory in their incidence and land taxes could have been imposed. Some recent actions by the government suggest overreaction to the crisis. The government has apparently swung from the optimism of the immediate post-independence period to an overly conservative fiscal and monetary posture. It has, for instance, limited new borrowing — whether public or private — to concessional loans or those with a minimum five year grace period and has reportedly turned down loans including those from East Germany and Yugoslavia.

CONCLUDING REMARKS

A number of policies discussed here are rather new and perhaps ought to be given more time before passing final judgment over them. Remarkably, whether these policies were indeed «home made» or not, they bear an uncanny resemblance to the standard IMF programmes imposed in many other Third World Countries. The general effects of these programmes on employment, prices, income distribution and economic growth are well-known, and it should not have come as a surprise to policy-makers that, at least, in the short term all these would move in an undesirable direction. Although the question of whether IMF staff or local economists devised the austerity programme touches upon the very important issue of national sovereignty, it is probably no consolation to the victims of such programmes that they are «home grown».

Our discussion has been strictly confined within the political parameters of present day Zimbabwe. These parameters have, in the period of «transition», confined the actual choices to basically capitalist options on the grounds that the inherited capitalist structure was the only logical point of departure. One probably ought to have begun the whole exercise of evaluating government policy by discussing whether indeed its basic premise was correct and whether a transition to socialism can be made without fundamentally challenging the existing structure. This would have been an interesting exercise in itself. It would have entailed a confrontation with the fundamental question of the nature of the state and its role in the economy of Zimbabwe. In a recent publication, the Minister of Transport, Dr. USHEWOKUNZE (20) has characterized the situation as that of dual power which pits two camps against each other: «The few rich blacks and whites who team up to run the old colonial economic structure for their own benefit and for international capital» against the «progressive elements who are advocating collective responsibility over the exploitation of our products and the distribution of our products according to need...» If present economic policy is an indicator of the balance of social forces in the country, it does not augur well for the latter.

FOOTNOTES

1. See, for example, Ann Seidman, «Debt and the Development Options in Central Africa: the Case of Zambia and Zimbabwe» in J. Carlson, *Recession in Africa*, Uppsala, 1983. See also the anonymous article «Zimbabwe in the Grip of the IMF», *Moto*, April 1983.
2. *Parliamentary Debates*, September 6, 1983.
3. *Parliamentary Debates*, September 6, 1983, Column 232.
4. Riddell, Roger, Zimbabwe: The Economy Four Years after Independence *African Affairs* – Vol. 83, No. 333, October 1984.
5. Killick, T. – «IMF Stabilization Programmes», in Killick, T. (ed.) – *The Quest for Economic Stabilization: The IMF and the Third World*. Heinemann, 1983.
6. On standardization of this «package», see Ariel Buira, «IMF Financial Programmes and Conditionality», in *Journal of Development Economics* 13 (1/2), 1983. See also articles in W. Cline and S. Weintraub, (eds.) *Economic Stabilization in Developing Countries*, The Brookings Institution, Washington D.C., 1981. Also in Killick, T. *op. cit.*
7. Reserve Bank of Zimbabwe, *Quarterly Economic Review*, September 1980.
8. *Ibid.*
9. The Minister of Finance has predicted that on average, the ratio would hover around 23% for the next five years. See the *Herald*, July 23, 1983.
10. Economic Policy Statement, reprinted in Reserve Bank of Zimbabwe, *Quarterly Economic and Statistical Review*, September 1982.
11. Minister of Finance, *Budget Statement*, July 24, 1980, extracted in Reserve Bank of Zimbabwe, *Quarterly Economic and Statistical Review*, Dec. 1980, pp. 17–8.
12. «Zimbabwe Moves to Curb Liquidity and Attract Funds», *Africa Economic Digest*, May 25, 1984.
13. *Ibid.*
14. See House of Assembly, *Parliamentary Debates*, September 6, 1983.
15. Lance Taylor – «IS/IM in the Tropics: Diagrammatics of the New Structuralists Macro-Critiques» in Cline and Weintraub, *op. cit.*
16. A. Foxley – «Stabilization Policies and their Effects on Employment and Income Perspectives», in Cline and Weintraub, *op. cit.*
17. B. H. Kinsey, «Emerging Policy Issues in Zimbabwe's Land Resettlement Programmes», *Development Policy Review* 1 (2), November 1983.
18. Recent household surveys suggest that as much as one third of rural households depend on remittances for their subsistence.
19. Reserve Bank, *op. cit.*, p. 5.
20. Ushewonkunze, H. *An Agenda for Zimbabwe*. (Publisher unknown); reviewed in the *Herald*, June 4, 1984.

RESUME

Cet article étudie le programme d'austérité du Zimbabwe, qui à en croire les pouvoirs publics aurait été élaboré par le Zimbabwe lui-même. Or ce programme est une réplique des recommandations habituelles du FMI, à savoir : la dévaluation, le resserrement de crédits, l'arrêt des subventions aux articles de consommation courante, le retrait de l'Etat des activités économiques et la «libéralisation» du régime des échanges. Il traite également des effets de ce programme sur divers variables macro-économiques dont, entre autres, l'emploi, la croissance et l'inflation. L'on constate dans la majorité des cas une détérioration de la situation. La plupart des améliorations, là où il en existe, tiennent à l'évolution de variables «exogènes» telles que : de meilleures conditions au niveau du marché mondial et de meilleures conditions climatiques.

La question du conflit entre les impératifs de l'accumulation de capital, objectif visé par la politique gouvernementale, et les exigences de légitimation politique y est également abordée. Bien que le programme Zimbabwéen satisfasse aux normes du FMI, celui-ci a suspendu l'accord de soutien qu'il avait conclu avec le Zimbabwe sans consultation préalable avec ce pays.

THE IMF AND THE ADJUSTMENT OF THE COLOMBIAN ECONOMY TO RECESSION

By

*Fernando ROJAS**

I. — COLOMBIA IN LATIN AMERICA: SOCIAL AND ECONOMIC BACKGROUND

Colombia is the third largest country in Latin America, population wise (31 million in 1985), after Brazil and Mexico. Its territory is the fourth largest in the region (1.200.000 sq. km.) after Brazil, Argentina and Mexico. Per capita income for the last decade was estimated to be in the range of US \$ 600–800 (1970 dollars). Life expectancy is around 65 years. The rate of population growth is around 1.8% (1). 50% of the people live in towns with more than 20,000 inhabitants; 30 % in towns with more than 100.000.

Agriculture, commerce and manufacturing each account for 20% of GNP. Mining and electricity have relatively low shares; however, these two sectors have been growing at a faster pace than that of the economy for the last 5 years (2). Food, textile and chemical industries are the most important branches of the manufacturing sector.

Electricity is mainly hydroelectric. Recently created mixed enterprises (state & multinational) are currently exploiting substantial nickel and coal mines for export. Colombia is a net importer of oil; nevertheless, new promising discoveries lead us to believe that Colombia will be a net exporter by 1987.

Coffee accounts for 60% of Colombian exports. Bananas, flowers and sugar follow in order. Long standing efforts to promote other export products have led to rather minor export gains to date. As a matter of fact, there are indications to support the widespread belief that export figures for products other than coffee and bananas tend to be artificially high due to incentives and subsidies granted to those claiming to have sold Colombian goods or services abroad (3). On the other hand, it is also well-known that a good part of Colombia's foreign exchange comes from the marihuana and cocaine traffic. Although hard to estimate, some people assert that illegal exports of goods and services may be as high as US \$3.000 million a year, a figure slightly higher than the total registered income in the Colombian trade balance. Part of that income finally filters into the country's foreign exchange reserves; but most of it nurtures an important black market of foreign currencies and — in one way or another — irrigates the rest of the economy (4).

Politically speaking, Colombia has had a (bourgeois) democratic regime for the last 27 years. However, it would be misleading to infer from this that Colombia is politically stable. There has been constant turmoil

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from the part of trade unions, peasants, urban dwellers and guerrillas (5). In the last few years there have been reasons to believe there are some connections between all these movements (6). Although successive governments have alternatively tried to pacify the country by means of repression dialogue and reform, all governmental strategies have so far failed to pacify the country. And there is no doubt that fears of violence or revolution have supplemented high interest rates in the United States to motivate Colombians to take their savings abroad. It is estimated that in spite of strict rules governing foreign exchange transactions, some US \$ 6.500 million are illegally owned by Colombians in foreign territories (8).

II. — COLOMBIA'S FOREIGN EXCHANGE CONSTRAINT

Most of Colombian economic history has been characterized by foreign exchange limitations. The only exceptional periods were 1920–25, 1953–54, and 1976–81. In the early 1920's Colombia benefitted from high coffee prices and received most of the US payment of 25 million dollars for having taken over Panama at the beginning of the 20th Century (9).

1953–54 marked the first major rise in coffee prices due to freezing weather in Brazil (10). By that time African coffee-growing countries had not yet entered the international coffee market in a significant way. All during the 1970's Colombia accumulated foreign exchange reserves. But it was only after 1976 that hard currencies were accumulated in significant amounts; from reserves of nearly US \$ 200 million in 1970 the position moved to more than US \$ 5,000 million by 1981 (11). It must be taken into account that yearly Colombian imports had been around US \$ 5,000 million during the last few years. And debt services and profit remittances abroad have been around US \$ 1.000 million a year (12).

For the rest of the century the Colombian economy has faced trade balance deficits (13), balance of payments difficulties and negative reserves (14). Since the fiscal structure is highly dependent on the external sector, budgetary deficits were brought about by foreign exchange scarcity (15).

Colombia was one of the countries which signed the agreements of Bretton Woods that created the new international monetary system after World War II. However, Colombia never gave up foreign exchange controls established during the Great Crash of 1929–30 (16). Indeed, it can be argued that foreign exchange controls supplemented by devaluations of the Colombian peso (17) and developmental foreign credit kept the economy afloat through recurrent foreign exchange crisis.

For some reasons which have not been fully established as of yet, Colombia has received more multilateral credit than most Latin American countries taking population or GNP into account. This type of credit came mostly from the IBRD during the 1950's. In the 60's it was mainly AID and the Inter-American Development Bank. As far as commercial credit is concerned, it only became significant during the 1970's when world wide excess liquidity and Colombia's positive reserves and low debt/foreign income ratio motivated private banks to sign credit agreements with Colombian

private and public sectors. Prior to the last decade, public investment was almost totally financed by foreign credit granted by multilateral developmental agencies (18).

From 1954 till the early 1970's Colombia had to sign stand-by-agreements and adapt economic policies to IMF guidelines. From the early 1970's till 1984 there was no need for IMF conditional credit. It has only been during 1984-85 that Colombia has been forced back to the IMF bargaining table. In less than 3 years, from 1982 to December 1984, Colombia's foreign exchange reserves came down from 5.500 million dollars to less than US \$ 2.000 million. As can be expected, part of Colombia's foreign exchange portfolio is either gold or is committed to non-liquid assets.

III. - COLOMBIA'S DEBT STRUCTURE

Colombia's registered external debt as of 1985 amounted to US \$ 11.000 million dollars. Some US \$ 7.500 million are public debt while US \$ 3.500 correspond to private sector debt. But it must be taken into account that the private sector debt might go up abruptly as a result of present international banking requirements. Indeed, it has been known that the Federal Reserve Board of the United States - which has been sitting at the bargaining table together with the IMF to discuss the adjustment program for Colombia - has «recommended» to the Colombian government to allow registration of hard currency debt of subsidiaries of Colombian banks abroad (Panama, New York, Miami) (19). This debt - which for obvious reasons was not part of Colombia's external debt under Colombia's rules of foreign exchange control - might amount to around US \$ 1.600 million (20). It has also been said that the «advice» of the Federal Reserve Board goes as far as to require the Colombian government to guarantee payment of that heretofore unregistered part of the debt. For the time being, the Colombian government has only authorized registration of guarantees given by Colombian banks to subsidiaries abroad (21).

Lending agencies have also suggested that Colombia should register private sector debt acquired by residents of Colombia in violation of exchange controls. However, as far as we can tell, lending agencies have not put enough pressure on this imposition.

Most of today's debt comes from credits granted in or around 1980, when Colombia enjoyed a very favourable foreign exchange position (22).

In general terms, public sector debt has been contracted in soft terms with multilateral agencies (23) while private sector debt is characterized by hard terms signed with commercial creditors (24). However, some of the agreements signed by state agencies bind the government to unusually high interest rates (25). This circumstance provides grounds for suspicion of corruption and bribery.

The most recent external public credit has gone to electricity and mining (26). In the case of mining it has gone to the large projects of coal, oil, and nickel. Coal and nickel in particular are exploited through joint

venture agreements with multinational enterprises. The perspective for the nickel project is bloomy at this point. It seems that the enterprise is now indebted beyond its repayment capacity under today's price expectations. However, foreign credit for the nickel project has been guaranteed by the Colombian Nation (27). As to the coal project, it all depends on future world energy prices (28).

At any rate, most public investment being financed by external credit are long-term investment projects which require a continuous flow of hard currencies to reach the operational stage. Since only part of the financial package for these projects had already been signed when the foreign exchange crisis of 1983–85 became evident, the Colombian state is forced to obtain fresh credits in the short-run. Indeed, the Colombian government has already announced the suspension or postponement of some of its infrastructure investment projects; the huge hydroelectric dam of Urra among them (29).

As a whole, private external debt is short-term tied to the prime rate or to the LIBOR (30). Since there has been little new investment in Colombian large private manufacturing or agricultural enterprises, questions have been raised as to where the money from external credits went to. It has been established that part of it went to finance the process of concentration and centralization of capital which took place through the financial sector during the last few years (31). Another part flew away from the country (or never actually entered into Colombia) under the stimulus of real interest rates' sudden devaluation. Although Colombia has been devaluating at a daily rate substantially above the internal inflation rate (28% versus 18% yearly rates in 1984), continuous deficit in external current account have led to the belief that there will eventually be a massive devaluation (33).

Another part of foreign credit to the private sector went to finance large «dinosaur» enterprises which can hardly recover from technological obsolescence. As such, it cannot be expected that these enterprises will be competitive enough to help to bring the balance of trade into equilibrium in the near future (34).

IV. – HOW COLOMBIA FELL INTO THE ORBIT OF THE IMF ADJUSTMENT PROGRAM

It was not until 1981 that Colombia's main foreign exchange indicators went into the red. Current account balance, measured as a percentage of GNP, moved from a positive 1.0% in 1979 to equilibrium in 1980, – 4.6% in 1981, – 7.0% in 1982, – 6.9% in 1983 and – 5.2% in 1984 (35). The balance of trade – which had been oscillating around equilibrium for most of the 1970's showed deficits of US \$ 717 million in 1980, 2,242.7 million in 1981, 2,382.2 in 1982, 1,887.2 in 1983 and 639.1 million in the first semester of 1984 (36). After exceptionally positive results in 1979 and 1980, the balance of payments fell into deficit in 1982 (US \$ - 739.4 million) and reached a worrying US \$ - 1,812.3 in 1983.

As a percentage of GNP, Colombia's external debt went up from 19.6% in 1980 to 29.2% in 1983 (38). As a percentage of total exports, Colombia's service of foreign debt (principal and interest) climbed from 15.9% in 1980 to 31.7 in 1982 and it is expected to go much higher in 1984-86. Just interest payments on external debt rose from 7.4% of total exports in 1978 to 26.7% in 1983. This figure is also expected to go up in 1984-86. Although relatively low as compared to other Latin American countries, these percentages begin to approach the average for the region, and might very well situate themselves in the upper half for the second part of the 1980's (39). Colombian authorities were late to acknowledge that the country was progressively facing foreign exchange difficulties which – if let uncontrolled – might lead to a moratorium in debt service and a standstill in foreign trade. As late as December 1983 the Minister of Finance kept insisting on the capacity of the Colombian economy to generate enough foreign exchange as to compensate the growing deficit in the external sector current account (40).

How can we explain that stubborn position on the part of the Government? It seems that besides the usual political considerations, the Colombian government was relying on the likely recovery of foreign exchange income originating in illegal marihuana and cocaine traffic as well as repatriation of savings held abroad. However, none of these expectations came into reality. United States pressures and internal political considerations forced the Colombian government to take severe measures against cocaine dealers.

Internal political turmoil, economic instability and lack of promising projects prevented national and foreign investors from bringing money into the country.

Even when the government decided to openly recognize the problem, it never mentioned the likelihood of conditional agreements with the IMF. Indeed, initial official attitudes were based upon the fact that Colombia's foreign exchange reserves and debt service/current income looked healthier than those of other Latin American countries. Assuming that Colombia enjoyed a privileged position in the region, the government remained optimistic about obtaining new fresh credits (41). This assumption proved to be wrong. On the one hand, total international credit for Latin America fell from US \$ 40.000 million in 1981 to US \$ 22.000 in 1983, most of them assigned to refinance old debts. On the other hand, foreign creditors were keen enough to realize that Colombia was progressively falling in a serious balance of payment crisis.

Colombia also attempted to lead a process of collective bargaining between Latin American countries and international lending agencies. Since he took office in 1982 the present government of Belisario BETANCUR has adopted a «Third World» position. The idea of a debtors' club had even been suggested by BETANCUR when he visited his Bolivian colleague after a few weeks in office. However, this gesture was silently censured by commercial banks which took a cautious reticent attitude towards Colombian requests for funds.

Nevertheless, in 1984 the Colombian government was still trying to promote some sort of organized action among Latin American countries. It was now a more timid initiative (the idea of a debtors' club was

explicitly rejected at the outset) which proposed the following bargaining strategies: (42)

- To set an upper limit to international interest rates for the exclusive purpose of debt service and new international credits. It should be kept in mind that during the climbing trend to interest rates in 1983–84, every additional interest point represented additional US \$ 2.500 million to Latin America or 1/2 the monthly regional exports.

- To provide the region with a larger flow of international funds so as to guarantee a positive net income. It has been estimated that the net outflow of foreign exchange from the region amounted to US \$ 17.000 million in 1983.

- To extend the payment period.

- To liberate MDC's imports from Latin America from import barriers and protective policies. It was pointed out that the total value of regional exports fell by 9% in 1982 and 2% in 1983.

- To undercut the climbing trend of the dollar vis-à-vis other hard currencies. This strategy would help to prevent devaluation pressures of the region's national currencies.

Three regional meetings have taken place so far between 1984 and 1985. The first in Cartagena (Colombia), then in Argentina and the Dominican Republic, all of them failing to produce a collective strategy (43). Unequal pace of negotiation with the IMF and other agencies and banks as well as differences among individual country economies dissolved what might have been initially a regional consensus around fundamental trade and monetary issues and a stronger negotiating position in the short-run.

As late as March 1985 the presidents of Argentina and Colombia signed a joint declaration whose basic tenet was the following: a solution to the problem of Latin American external debt can only be reached through real international economic cooperation. This cooperation can only emanate from political dialogue between governments of debtor countries and creditor countries (44).

The response of lending agencies to Colombian individual or collective initiatives invalidated every assumption and expectation. The country has not received any fresh credit so far. Not even the promising oil discoveries made in 1984 helped to soften the tough position of the IMF (45). The Colombian government has been required to follow the standard guidelines of every IMF adjustment program. And, as stated above, the IMF together with the Federal Reserve Board and the United States Secretary of the Treasury have jointly pressured the government to internally register and to provide public guarantee for debts which heretofore were not part of the country's external debt. In the meantime, the World Bank had been postponing a credit of about US \$ 300 million, badly needed for public investment purposes (46).

V. – COLOMBIA'S FORMAL RESPONSE AND HIDDEN AGENDA

As is usually the case, the formal reaction of the Colombian government to IMF impositions has largely depended on internal political considerations.

By and large, economic associations, political parties and orthodox academic circles have supported the IMF recommendations (47). Just a few members of the Liberal Party (half-way in government/half-way in opposition) and some old time Keynesian economists have dared to question the IMF guidelines (48). Arguments of the latter can be summarized as follows:

- The monetary approach to the balance of payment crisis cannot be applied to Colombia. Current foreign exchange difficulties are not due to excess money and disproportionately growing internal demand (49). The crisis rather originated in the external sector where exogenous factors such as declining foreign trade and low prices for Colombian exports abruptly brought the current account into deficit.

- Fiscal adjustments have already been introduced in order to reduce public expenditure (public investment mostly) and raise current public income. As a result of these measures, fiscal deficit is coming down as a proportion of GNP (50).

- Current recession is characterized by low internal demand, high unemployment rates, deterioration of labour stability and slightly decreasing real wages. Printing money under these circumstances might reactivate the economy without pushing inflation too far.

- There is no clear reason to expect that accelerated devaluation rates would stimulate Colombian exports. On the contrary, it would substantially raise the general level of internal prices (51).

If we move away from elite circles, there is little idea of what the government is negotiating with the IMF. However, there has been a rather strong trade union resistance to fiscal and wage restraint measures taken by the government in accordance with the IMF guidelines (52). And given the Colombian overall political context – there is always the risk of a general and violent reaction from the part of the people.

President BETANCUR's strategy has been threefold:

- To vaguely criticize the present structure of the international monetary system as well as barriers to international trade imposed by the more developed countries and deteriorating terms of trade. This attitude is usually taken by the President in glamorous speeches to nationalist and Third World audiences.

- To partly follow IMF guidelines with an aim of avoiding the need of formally signing a conditionality agreement.

This is the same political strategy followed by African Countries such as Tanzania and Nigeria where it has been given the name of «home made stabilization policies» (53).

BETANCUR has adopted most of the IMF recommendations with regard to oil price rises and public utilities rates. He has partly enacted IMF recommended fiscal policies and is looking forward to submit an additional fiscal bill to Congress in March 1985. As far as wages are concerned, BETANCUR has had only minor success in imposing the IMF recommended 10% wage rise in a country whose 1984 inflation rate was 18%.

The government has also accelerated devaluation of the Colombian peso *vis-à-vis* the US dollar. Current devaluation rate is around 33 % a year, substantially above devaluation rate for previous years.

Nevertheless, BETANCUR has rejected recommendations of a one-time abrupt devaluation. His government has also increased import taxes, licences and deposits. Exports other than coffee and bananas are still generally subsidized. And it is highly likely that the government will print some money (Central Bank Credit) to compensate this year's budget deficit. Little has been done to raise today's relatively low domestic real interest rate.

Whether or not BETANCUR will finally succeed in avoiding a signed adjustment program with the IMF is hard to predict at this point. There is currently (March 1985) an IMF mission in Bogota and much will depend on this mission's assessment of the Colombian home made stabilization policies being implemented by the government. Although BETANCUR tried to convince a committee of Colombia's main commercial creditors to supply fresh credits, this 14 banks committee conditioned their approval to his acceptance of an IMF package.

— BETANCUR's third card might free his government from IMF supervision. This card aims at eliminating the current account deficit of the balance of payments by attracting a net positive inflow of private savings into the country. It is based upon the illegal — or at least irregular-transactions of the Colombian economy. As such, this strategy cannot be overtly declared.

This strategy operates through two channels:

(a) Bringing back a good part of foreign exchange savings held by Colombians abroad or in the domestic black market. Three things can be done in this regard. First, internal interest rates must be higher than those being paid in the U.S. and the spectrum of unpredictable devaluations must be phased out. Second, the official exchange rate must be higher than the black market rate, a goal the government is currently reaching. In this way, foreign exchange authorities will control most of today's black market. Third, the government has imposed upon importers the burden of obtaining the foreign exchange urgently needed by the country's manufacturing and agricultural sectors (the multinational mining sector has always been allowed to import goods with their own foreign exchange). Legally speaking this will require importers to become exporters themselves or to enter into trilateral agreements by which connection is established between exporters, importers abroad and domestic producers who are also importers. In practice, it is well-known that a lot of supposedly Colombian new export earnings stimulated by these measures have been a gimmick for repatriation of dollars.

It is clear that the potential impact of this strategy depends to a large extent on the government's capacity to raise domestic real interest rates. Although the government has been reluctant so far to raise the interest rate by fear of deepening the recession, there is no doubt that they now can slow down the pace of devaluation since the black market rate is slightly below the official rate.

On the other hand, even if this strategy is apparently restricted to solve trade limitations imposed by foreign exchange constraints, it would spring up a process of accumulation of foreign exchange reserves which would end up by solving the problem altogether.

Finally, it is also clear that the government's policy towards cocaine and marihuana dealers will be a decisive factor in the actual impact of this strategy.

(b) The second channel consists in attracting fresh investment into the country. This strategy has to do with the country's adaptation to a new international division of labour, something which will be dealt with under number 6 below.

For the time being, it must be pointed out that in spite of BETANCUR's nationalistic jargon, no other Colombian president had offered so many facilities to foreign investors in recent times. Besides suspending important Andean Pact rules for control of foreign investment (54), BETANCUR is inclined to let U.S. courts decide on legal conflicts involving multinational investment in Colombia (55). He has also submitted to Congress the most comprehensive bill on free trade zones, modelled after Singapur, Hong Kong and South Korean regimes.

However, as BETANCUR knows by now, attracting new foreign investment into the country is not only a matter of providing incentives. It has to do also with the internal political situation and the government capacity to subdue people's resistance to lower wages. It seems that these two factors have contributed to prevent new foreign investment from coming into Colombia during the last few years.

VI. — SOME PARTICULARITIES OF THE PRESENT COLOMBIAN ADJUSTMENT RESTRUCTURING RELATIONS OF PRODUCTION AND THE NEW INTERNATIONAL DIVISION OF LABOUR

It is necessary to call attention to four peculiarities which differentiate Colombia's present adjustment program from those discussed and implemented in the 50's. Some of these differences may also be valid when comparing the Colombian case with other countries:

- The common interest of multilateral, bilateral and commercial agencies had never been so clear before. The Colombian mission to the IMF has faced the IMF, the U.S. Federal Reserve Board, the U.S. Secretary of the Treasury, the World Bank, and the private commercial banks. Each one representing its own interest but all of them acting together to create pressure upon the Colombian government.

- Joint creditors' pressures have also made evident that the primary interest of the IMF has not been so much to equilibrate the Colombian external sector as to guarantee payment to large (mostly U.S.) creditors. How can we otherwise account for the fact that the IMF is adding difficulties to Colombia's balance of payment crisis by requiring the government to register banking debt acquired elsewhere? Or, for that matter, trying to force the Colombian government to guarantee payment of private debt in amounts similar to the Nation's 1984 fiscal deficit?

- The U.S. capacity to impose policies other than economic on the part of the debtor country has also become evident. Indeed, although suppression of cocaine production and traffic does not form part of the

adjustment program, it is clear that the U.S. has taken advantage of Colombia's refinancing and renegotiating process in order to push the government to effectively prevent this illegal export to the U.S. The paradox of the matter is that some of Colombia's own strategies to overcome the current balance of payment crisis assume repatriation of foreign exchange by marihuana and cocaine dealers.

— The IMF's doctrine of free trade and free flow of funds has never been so closely associated with free enterprise.

This time the adjustment program is based upon severe criticisms of Colombia's underdeveloped welfare state (56). Although reduction of the public sector / GNP ratio and privatization of some state programs and enterprises were already on President BETANCUR's agenda, these laissez-faire type of policies received additional support from the adjustment program as evidenced by recent documents from the National Department of Planning (57). It is interesting to notice that there is a connection between undoing the welfare state and present restructuring of capitalist relations of production taking place at a worldwide scale. New relations are based upon the premise of accelerated obsolescence, transformation of fixed capital into circulating capital, labour flexibility and occupational instability, decentralized production and fragmented labour process, absence of trade union embarrassments, microenterprises, etc... (58).

And the old welfare state was based upon the opposite premise (59). Although we cannot develop this observation at length, it is sufficient to suggest that the IMF role in today's adjustment programs is not just occasional or ephemeral (60). In our view the IMF is indeed playing a role in a structural reorganization of capitalist relations of production which will provide the basis for a more fully integrated and more closely dependent international division of labour.

FOOTNOTES

1. Colombia has carried out one of the most successful fertility control programs in the world. As attributed to these programs, an initial rate of population growth of 3.0% in the census period of 1951–64 was brought down to 2.4% in the census period of 1964–73. It is estimated at less than 2% in current years.
2. These are also the first two sectors as far as foreign credit is concerned. However, credit figures for the armed forces are not known. Under former government of president Turbay, electricity alternated with transportation and communications. However, as long as oil, coal and nickel projects take off it is mining which comes after electricity as the destination of foreign credit.
3. Official foreign exchange rates above black market rates for the latter part of the 1970's and incentives granted to exporters (formerly known as CAT and recently named CERT), seem to have stimulated artificially high export accounts. Besides, some shipments of allegedly Colombian exports have been found to actually be cocaine and marihuana.
4. Cf. Child, J. and Arango, M. *Narcotrafico. Imperio de la cocaína*. Percepcion, Bogota, 1984.
5. Cf. Moncayo, V. M. and Rojas, F. *Luchas obreras y política labora en Colombia*. La Carreta, Bogota, 1978. Herran, M.T. *El sindicalismo por dentro y por fuera*, Cinep-Oveja Negra, Bogota, 1982. Molano, A. y Reyes, A. *Los bombardeos en «El Pato»*, Controversia No. 89, Cinep, Bogota, 1980. Escobar, C *La Trayectoria de la ANUC*. Cinep, Bogota, 1982.

Zamosc, L. *Los usuarios campesinos y las luchas por la tierra en los años 70*. Cinep, Bogota, 1983. Santana, P. *Desarrollo regional y paros cívicos en Colombia*. Controversia Nos. 107–108, Cinep, Bogota, 1982. Rojas, F. «La incredula indocilidad colombiana», en *Que Paso?* Cinep, Bogota, Octubre-Diciembre de 1984.

6. Cf. Rojas, F. «La incredula indocilidad colombiana», en *Que Paso?* Cinep, Bogota, Octubre-Diciembre, 1984.

7. See, for instance, Molano, A. *Amnistia y violencia*, Controversia Nos. 86–87, Cinep, Bogota, 1980. Gallon, G. *La Republica de las Armas*, Controversia Nos. 109–110, Cinep, Bogota, 1982.

More recently, President Betancur's strategy of truce, dialogue and reforms has also failed as asserted by the Colombian Attorney General in March 1985 («Dice el Procurador: la Nacion esta desesperada de tanta audacia insurreccional», *El Tiempo*, March 3, 1985, p ultima–A).

8. The 1982–83 tax reform was partly designed to attract back into the country deposits held by Colombians abroad. Cf. Rojas, F. *La Reforma Tributaria de 1982–83*, ANIF, Bogota, 1983.

However, in the absence of exceptional foreign exchange rules allowing for repatriation of funds – and given U.S. higher real interest rates when devaluation is taken into account – the reform did not produce any positive outcome in this respect.

More comprehensive measures have been recently adopted. These include certain exceptions to foreign exchange provisions thus allowing for disguised repatriation of money held abroad. This is, for instance, the case of the so-called «Special system of trade» (Sistemas Especiales de Intercambia Comercial, SEIC).

A bill to be submitted to Congress in March, 1985, provides fiscal & foreign exchange «amnesties» to Colombian importers who buy foreign goods with their own foreign exchange resources.

9. Cf. Echavarría, J.J. «La deuda externa colombiana durante los 20s y los 30s: algunas enseñanzas para el presente», *Coyuntura Economica*, vol. XII, No.2, July 1982, pp. 83–119. Patino Roselli, A. *La prosperidad a debe y la Gran Crisis, 1925–35*. Banco de la Republic, Bogota, 1981.

10. Cf. Perry, O. (ed.) *Cultura y economia en Colombia, Ecuador, Venezuela. Bogota, 1956* (in particular the article by C. Lleras).

11. See Table 1, Statistical Appendix.

12. US \$ 1,052.4 for 1983 according to Central Bank figures.

13. See Table 2, Statistical Appendix.

14. See Table 1, Statistical Appendix.

15. Cf. Rojas, F. «El deficit fiscal an la historia de las Finanzas Publicas de Colombia», *Revista Economia Colombiana*, No. 167, March, 1985.

16. Cf. Alviar, O. and Rojas, F. *Elementos de Finanzas Publicas en Colombia*, Temis, Bogota, 1985. Cap. II.

17. See Table 3, Statistical Appendix.

18. Cf. Alviar, O. and Rojas, F. *Elementos de Finanzas Publicas en Colombia*, Temis, Bogota, 1985, Cap II.

19. Cf. «La 'guerra secreta' del credito externo», *El Tiempo*, December 3, 1984, p. 1–c.

20. *El Espectador*, March 6, 1985, p. 1-A.
21. Resolución 16, February 27, 1985, Junta Monetaria.
22. See Table 4, Statistical Appendix.
23. Still, public sector debt has been recently contracted under less favourable terms than debt part of the public debt contracted in the 1980's and signed with commercial (private) banks. Cf. Garay, L. J. «El proceso de endeudamiento externo colombiano», *Controversia* No. 121, Cinep, Bogota, 1984, pp. 13-44.
24. *Ibid.*, p. 22.
25. As it has been the case, among others, of IDEMA, the official agricultural marketing board.
26. Electricity has taken 32% of foreign credit granted to the government during the last 10 years.
27. For some general information on differences between earlier projections and today's harsh reality, see «Proyecto Cerromatoso S.A.», *Informe Financiero*, Contraloría General de la República, September 1984, pp. 23-24.
28. Cf. Isaza, J.F. *Energía. Aspectos financieros y fiscales*. Contraloría General de la República, Bogota, 1985.
Chapter VIII-E, «Deuda externa de Carbocol», pp. 101-102.
29. Cf. National Department of Planning. «Coyuntura Económica y bases del programa macroeconómico 1985-1986», Document DNP-2. 163-J-UPG, Bogota, February 7, 1985.
30. Cf. Garay, L. J. «El proceso de endeudamiento externo colombiano», *Controversia* No. 121, Cinep, Bogota, 1984, pp. 13-44.
31. *Ibid.* See also, Silva Colmenares, J. *Tras la máscara del subdesarrollo: dependencia y monopolios*. Carlos Valencia Editores, Bogota, 1983.
32. As it is used in this paper, «real interest rates» may also refer to the net result of comparing the domestic interest rate with the sum of interest rate abroad plus devaluation. Some authors call this rate «parity rate». It has been estimated, for instance, that parity rate was 41.7 in 1984 when the domestic interest rate only reached 34.9 Cf. Posada, C.E. «Coyuntura 84: recuperación indecisa y perspectiva heterodoxa», *Revista Economía Colombiana*, Nos. 163-164, November-December, 1984, p. 38.
33. As observed by most Colombian specialists, the Colombian peso is highly overvalued. It has been estimated that in order to recover the relation peso/dollar of 1975 a one-shot devaluation of around 15% is necessary. (Cf. «Lopez, J. F. En 1985: se puede equilibrar la tasa de cambio?», *El tiempo*, february 25, 1985, p. 1-C). An even faster devaluation pace will be needed to equilibrate the peso with European currencies. On the other hand, it has to be recognized that the government accelerated the rhythm of devaluation since 1981. Yearly devaluation rates have been as follows:

198011.1%
198115.2%
198217.6%
198323.0%
198428.0%

If we annualize current daily rates of devaluation (March 1985) we would obtain a yearly rate of around 45% for 1985.

34. Cf. Garay, L.J. *Op. cit.*
It has to be taken into account that the Colombian government has been facilitating external debt service on the part of private debtors by means of

heavily subsidized credit (Cf. Resolucion 33, 1984, Junta Monetaria, and related resoluciones).

35. Deficit in current account – as a percentage of GNP – for selected Latin American countries, 1979–83:

	1979	1980	1981	1982	1983
Argentina	0.9	7.3	7.0	3.6	3.5
Bolivia	7.5	0.5	7.9	1.7	2.0
Brasil	6.5	6.9	5.7	7.1	2.9
Chile	5.7	7.1	14.3	9.6	5.4
Costa Rica	13.9	14.4	16.4	9.3	11.2
Colombia	- 2.0	- 0.4	4.6	7.0	6.9
Republica Dominicana	6.0	10.1	5.6	5.6	4.8
Ecuador	6.6	5.7	8.2	10.5	1.6
Mexico	4.1	4.6	7.0	2.6	- 2.7
Peru	- 5.3	0.6	8.7	8.3	5.5
Uruguay	4.5	6.1	4.5	5.4	3.0
Venezuela	1.6	- 4.1	- 3.2	4.8	- 5.9

Source: IMF. Taken from Wiesner, E. «El origen del endeudamiento externo de America Latina», *Revista Economia Colombiana*, Nos. 163–164, November/December, 1984, p. 21.

36. There is no doubt that 1984 foreign trade measures are leading to a substantial reduction of balance of trade deficit by means of restricting Colombian imports.
37. See table 5, Statistical Appendix.
38. See Table 5, Statistical Appendix. See also Lopez, J.F. «La crisis combiaria sigue en el file de una navaja», *El Tiempo*, February 18, 1985, pp. 1–A and 7–A.
39. See Tables 7, 8 and 9, Statistical Appendix.
40. Cf. Londono, J.L. «El FMI y la nueva politica economica. Por caminos peligrosos», *Revista Economia Colombiana*, Nos. 163–164, November, December, 1984, pp. 12–15.
Lopez, J.F. «La crisis no ha tocado fondo», *El Tiempo*, December 31, 1984, p. 5–C.
41. Cf. «Acuerdo formal con FMI y emergencia economica sugirio junguito a B.B.», *El Tiempo*, October 29, 1984, pp. 1–A, 8–A, Ultima–A. «Dice el liberalismo: en un mes, gobierno cambio de actitud frente al FMI», *El Tiempo*, November 29, 1984.
42. As presented by the main adviser to the Colombian government for purposes of renegotiating external debt. Cf. Garay, L. J., *Op. cit.*, pp. 35 ff.
- 42b. Partly due to declining terms of trade. In the case of Colombia the relationship between export prices and import prices came down from an index of above 1,000 in 1980 to less than 800 by the beginning of 1983. (Cf. Martinez, C. «El sector externo colombiano y el desahorro nacional», *Revista Economia Colombiana*, No. 165, January 1985, pp. 9–12.
43. Mar del Plata (Argentina, 1984) and Santo Domingo (Dominican Republic, 1985). As to the path of failure followed by these meetings, see «Colombia 1984: a punto de llegar al fondo», *Revista Economia Colombiana*, Nos. 163–164, November–December 1984, pp. 7–11.

44. *El Tiempo*, March the 2nd., 1985, p. 1-A.
45. Colombia expects to level out the balance of trade by 1986-87 on the basis of oil and coal exports.
46. This credit finally came in but it was assigned to export promotion and essential imports. Indeed, as it is usually the case, the World Bank has played the «soft role» during Colombia's present negotiating process. By way of example, we may say that the World Bank seems to be pleased by Colombia's attempt to reduce the fiscal deficit by a few percentage points of GNP while the IMF (tough role) has required the Colombian government to equilibrate the budget in the short run.
47. See for instance the position taken by the National Association of Industries in «El país ante el FMI: Cogestión económica externa o autonomía plena plantea ANDI», *El Tiempo*, 13 November, 1984.
48. As it has been the case with the very much influential journal *Coyuntura Económica*.
49. Indeed, Colombia's money growth is one of the lowest for the region (an average of around 25% increase a year for the period 1978-84). See Table 10, Statistical Appendix.
50. Under today's estimates (march, 1985), the budget deficit will come down from around 7.5% to 5% during 1985.
51. Price rises in oil, public utilities and other basic products heavily influenced by import prices would end up by accelerating inflation thus nullifying the potential stabilization impact of devaluation.
52. There was a general public employees' strike last February 21st. Currently there are preparations for a general strike in April or May, 1985.
53. See «FMI, fuente lógica de recursos para Colombia», *El Tiempo*, December 3, 1984. «Formula intermedia buscan Colombia y banco mundial», *El Tiempo*, 19 February, 1985, p. 1-A. «En buen pie acuerdo de Colombia y el FMI», *El Espectador*, February 27, 1985, p. 1-A «Premature hablar de acuerdo con el FMI», *El Tiempo*, March 9, 1985, pp. 1-A and 8-A.
54. For a summary account of Andean Pact rules on foreign investment being suspended by the Pact country members, see *El Tiempo*, February 25, p.2-C.
55. Something Chile and Ecuador have already done.
56. See Alviar, O. and Rojas, F. *Elementos de Finanzas Públicas en Colombia*, Temis, Bogota, 1985. Appendix.
57. National Department of Planning. «Coyuntura Económica 1984 y bases del programa macroeconómico 1985-1986», Documento DNP-2. 163-J-UPG, Bogota, February 7, 1985.
58. Cf. Margirier, G. «Quelques aspects des transformations récentes du rapport salarial», *Critiques de l'Economie Politique*, La Crise Toujours, 1984, pp. 95-118.
59. Delorme, R. «Compromis institutionnalisé, Etat inséré et crise de l'Etat inséré», *Critiques de l'Economie Politique*, La Crise Toujours, 1984, pp.149-160 Gough, I. - *The Political economy of the welfare state*. MacMillan Press, London, 1980.
60. As claimed by the IMF itself. See Tseng, W. «Los efectos del ajuste», *Finanzas y Desarrollo*, December 1984, Vol. 21, No. 4, pp. 1-5 Killick, T. «El papel del FMI en los países en desarrollo», *Finanzas y Desarrollo*, September 1984, Vol. 21, No. 3, pp. 21-26.

STATISTICAL APPENDIX

Table 1: Colombia's Net Foreign Exchange Reserves

(December 31)	(Million Dollars)
1960.....	61.8
1961.....	-34.4
1962.....	-79.5
1963.....	-111.9
1964.....	-122.0
1965.....	-61.5
1966.....	-94.8
1967.....	-36.3
1968.....	35.2
1969.....	96.4
1970.....	152.0
1971.....	170.0
1972.....	345.2
1973.....	515.9
1974.....	429.5
1975.....	547.3
1976.....	1,165.8
1977.....	1,829.6
1978.....	2,481.8
1979.....	4,105.9
1980.....	5,416.0
1981.....	5,630.2
1982.....	4,890.8
1983.....	*3,050.0
1984.....	*1,500.0

Source: *Banco de la Republica (Colombia's Central Bank).** *Estimated.*

Table 2: Colombian Total Exports, Coffee Exports and Imports, 1950-75.

	X	C	M	R
1950.....	396.0	308.0	365.0	101
1951.....	463.3	359.8	419.0	125
1952.....	473.3	379.9	415.4	164
1953.....	596.0	492.8	546.7	190
1954.....	657.1	550.2	671.8	257
1955.....	579.6	484.1	669.3	136
1956.....	599.1	474.6	657.2	131
1957.....	511.1	390.1	482.6	145
1958.....	460.7	354.8	399.0	160
1959.....	474.7	363.3	415.6	216
1960.....	465.7	333.5	518.6	178
1961.....	434.8	307.9	557.1	149
1962.....	463.2	331.8	540.4	96

X: Total exports - C: Coffee exports - M: Imports - R: Foreign exchange reserves.

STATISTICAL APPENDIX (contd.)

Table 2 (contd.): Colombian Total Exports, Coffee Exports and Imports, 1950–75.

	X	C	M	R
1963.....	446.1	303.0	506.0	87
1964.....	545.7	394.2	586.3	104
1965.....	537.0	343.9	453.5	96
1966.....	509.9	328.3	674.3	77
1967.....	509.9	321.5	496.9	88
1968.....	558.3	351.4	643.3	173
1969.....	607.4	343.9	685.3	221
1970.....	742.9	466.7	843.0	206
1971.....	708.2	399.7	929.4	203
1972.....	873.8	430.4	858.9	325
1973.....	1 231.5	597.9	1 061.5	534
1974.....	1 508.8	624.8	1 602.2	449
1975.....	1 520.1	674.5	—	522

X: Total exports – C: Coffee exports – M: Imports – R: Foreign exchange reserves.

Source: IMF, *Financial Statistics*.

Table 3: Foreign Exchange Rate – Colombian Peso to US Dollar
(depending on type of foreign exchange control regime)

Year	Official	(1)	(2)	(3)	(4)	(5)
1948	1.96					
1949	1.96					
1950	1.96					
1951	2.51					
1952	2.51					
1953	2.51					
1954	2.51					
1955	2.51					
1956	2.51		4.13(3)			
1957	2.51		6.83(4)			
		6.22				
1958		8.23	6.40			
1959		7.01	6.40			
1960		7.22	6.70			
1961		8.82	6.70			
1962		11.11	9.00			
1963		9.98	9.00			
1964		12.82	9.00			
1965		18.29				
1966		16.30		9.00	13.50	
1967		16.30		9.00	13.50	
						15.82
1968						16.91
1969						17.90
1970						19.13

STATISTICAL APPENDIX (contd.)

Table 3 (contd.): Foreign Exchange Rate – Colombian Peso to US Dollar
(depending on type of foreign exchange control regime)

Year	Official	(1)	(2)	(3)	(4)	(5)
1971						20.94
1972						22.83
1973						24.82
1974						28.60
1975						32.98
1976						36.34
1977						35.51
1978						37.76
1979						41.69
1980						48.35
1981						56.17
1982						66.57
1983 (Junio)						(6) 78.36

Source: *Superintendencia Bancaria.*(1) *The so-called «free dollar» established in 1957.*(2) *Exchange certificate. Freely exchangeable but valid only for certain purposes.*(3) *There were two markets from September 2, 1965 until March 22, 1967.*(4) *Same as (3) above.*(5) *Created by Decree 444, March 22, 1967 which is today's foreign control statute.*(6) *In September 1984 the exchange rate was Col. \$ 100.94 = US \$ 1.00.**In March 1985 it was Col. \$ 120 = US \$ 1.00.***Table 4: External Debt for selected Latin American countries 1978–1983**
(In million US \$)

	1978	1979	1980	1981	1982	1983
Argentina	12.496	19.034	27.162	35.671	43.243	45.946
Bolivia	1.970	2.475	2.810	3.489	3.796	3.785
Brasil	49.800	55.900	62.900	71.900	83.200	91.600
Chile	6.423	8.484	11.084	15.542	16.953	17.154
Costa Rica	1.472	1.818	2.333	2.743	2.932	3.635
Colombia	5.090	5.438	6.581	8.163	9.747	10.910
Republica Dominicana	1.130	1.299	1.679	1.903	2.012	2.397
Ecuador	2.974	3.574	4.651	5.874	6.187	6.903
Mexico	33.300	40.200	51.400	75.000	88.600	89.400
Peru	8.573	8.465	9.594	9.842	11.320	12.443
Uruguay	859	1.233	1.520	2.055	3.096	3.525
Venezuela	16.793	24.055	28.108	29.506	32.121	31.100

Source: *IMF – Taken from Wiesner, E. «El origen del endeudamiento externo de America Latina», Revista Economia Colombiana, Nos. 163–164, November–December, 1984, p. 21.*

STATISTICAL APPENDIX (contd.)

Table 5: Balance of Payments for some selected Latin American countries
1978–1983 (US \$ million)

	1978	1979	1980	1981	1982	1983
Argentina	3.249.0	4.453.0	-2.720.0	-3.910.0	-6.282.0	-2.832.0
Bolivia	-72.9	-163.3	- 101.0	- 159.0	- 69.4	-65.3
Brasil	4.299.0	2.692.0	-3.389.0	849.0	-6.537.0	-3.330.0
Chile	712.3	1.087.5	1.243.6	5.0	-1.393.0	- 571.0
Costa Rica	-39.8	- 83.4	455.8	- 470.2	-313.8	74.0
Colombia	667.2	1.639.1	1.310.1	214.2	- 739.4	-1.812.3
Rep. Dominicana	-95.1	- 87.5	- 117.8	- 150.9	-310.6	-373.3
Ecuador	32.0	30.0	226.0	294.0	- 563.9	51.0
Mexico	2.256.0	2.650.0	3.701.0	1.875.0	-1.963.0	3.511.0
Peru	-107.9	1.095.4	1.021.7	692.8	77.9	-257.9
Uruguay	163.5	62.6	181.4	169.0	- 799.5	-27.8
Venezuela	- 936.0	3.563.0	3.801.0	457.0	- 8.612.0	-1.099.0

Source: IMF. Taken from Wiesner, E. «El origen del endeudamiento externo de America Latina», Revista Economica Colombiana, Nos.163–164, November/December, 1984, p. 21.

Table 6: External Debt as a percentage of GNP for selected Latin American countries
1978–1983

	1978	1979	1980	1981	1982	1983
Argentina	26.0	33.5	41.8	53.3	65.4	66.5
Bolivia	47.0	51.9	53.6	76.0	89.8	90.1
Brazil	37.1	35.9	34.2	37.1	40.1	43.7
Chile	47.6	46.1	52.0	72.6	99.1	103.3
Costa Rica	41.8	45.1	48.5	75.9	114.9	120.2
Colombia	21.8	19.5	19.6	22.4	25.1	29.2
Republ. Dominicana	24.0	24.0	25.0	26.0	26.0	27.0
Ecuador	40.1	38.3	38.5	41.3	38.6	40.9
Mexico	30.6	29.8	30.4	37.5	41.4	44.3
Peru	83.7	61.5	55.7	49.8	55.8	76.6
Uruguay	18.0	21.3	21.9	28.9	51.3	63.9
Venezuela	42.6	49.7	47.5	44.4	47.3	46.9

Source: IMF. Taken from Wiesner, E. «El origen del endeudamiento externo de America Latina», Revista Economica Colombiana, Nos.163–164, November/December, 1984, p. 17.

STATISTICAL APPENDIX (contd.)

Table 7: External Debt Service As a percentage of total exports for selected Latin American countries 1979–1982

	1979	1980	1981	1982
Argentina	21.7	30.7	61.2	68.5
Bolivia	34.2	35.6	23.6	15.4
Brasil	66.2	60.9	66.1	88.6
Chile	34.5	40.0	51.7	64.7
Costa Rica	26.5	32.8	21.6	14.9
Colombia	18.7	15.9	29.3	31.7
Republica Dominicana	23.4	24.5	26.9	28.6
Ecuador	52.2	37.1	49.1	69.0
Mexico	68.8	36.7	43.1	56.4
Peru	52.1	52.5	64.4	54.4
Uruguay	10.3	8.2	8.0	13.6
Venezuela	22.3	22.4	13.0	28.7

Source: IMF. Taken from Wiesner, E. *op. cit.*, p. 17.

Table 8: Interest Payments on External Debt as a percentage of total exports for selected Latin American countries 1978–1983

	1978	1979	1980	1981	1982	1983
Argentina	9.2	11.8	18.9	32.2	41.9	54.1
Bolivia	13.4	17.7	24.1	23.6	15.4	15.0
Brasil	22.8	29.8	32.0	38.3	53.5	40.5
Chile	16.5	14.7	19.3	32.0	42.4	33.8
Costa Rica	9.8	9.6	14.6	13.3	9.4	28.2
Colombia	7.4	9.4	10.7	18.7	23.1	26.7
Republica Dominicana	15.4	9.2	11.1	11.1	10.6	11.1
Ecuador	9.8	13.0	17.2	22.3	28.1	26.6
Mexico	22.1	23.1	21.8	27.5	39.4	35.0
Peru	24.5	24.7	21.4	28.8	27.9	32.4
Uruguay	4.7	4.4	5.0	5.7	9.1	14.3
Venezuela	12.4	12.9	13.8	6.7	18.3	15.8

Source: IMF. Taken from Wiesner E., *op. cit.*, p. 17.

STATISTICAL APPENDIX (contd.)

Table 9: External debt as a percentage of total exports for selected Latin American countries 1978–1983

	1978	1979	1980	1981	1982	1983
Argentina	159.5	192.0	236.6	297.9	441.9	471.0
Bolivia	277.7	283.2	265.4	336.8	403.4	375.9
Brasil	339.4	311.2	270.3	266.9	326.4	351.1
Chile	213.3	177.8	185.7	276.9	326.4	351.1
Costa Rica	143.6	163.7	183.1	228.6	259.0	324.6
Colombia	123.9	112.1	112.3	162.8	196.1	253.7
Republica Dominicana	133.1	111.3	127.9	124.8	175.4	193.8
Ecuador	170.9	143.4	156.3	195.8	226.3	256.8
Mexico	292.1	251.3	207.3	245.1	308.7	319.3
Peru	356.1	204.3	197.7	231.0	271.5	323.9
Uruguay	92.3	98.8	95.4	113.2	210.2	258.8
Venezuela	154.7	147.5	126.4	120.3	159.6	180.1

Source: IMF. Taken from Wiesner, E. op. cit., p. 23.

Table 10: Yearly percentage of Monetary Increase (MI) for selected Latin American countries, 1978–1983

	1978	1979	1980	1981	1982	1983
Argentina	159.1	137.5	96.7	70.1	247.5	361.7
Bolivia	12.4	16.7	42.6	16.6	228.8	209.6
Brasil	42.6	73.6	71.1	74.7	71.1	90.6
Chile	66.9	64.5	56.8	- 6.0	9.4	26.6
Costa Rica	24.9	10.7	16.7	46.7	59.9	32.5
Colombia	28.4	24.8	28.0	20.8	25.2	24.3
Republica Dominicana	- 0.4	30.6	- 3.1	13.9	10.7	6.8
Ecuador	10.2	27.4	27.7	15.3	18.2	30.1
Mexico	33.0	33.1	33.1	32.8	61.9	41.4
Peru	45.4	70.2	57.7	46.6	34.8	96.2
Uruguay	85.1	71.6	47.4	8.3	19.8	11.6
Venezuela	14.5	8.9	18.2	9.4	9.4	20.7

Source: IMF. Taken from Wiesner, E., op. cit., p. 20.

RESUME

Cet article de Fernando ROJAS intitulé «Le FMI et le Réajustement de l'Economie Colombienne à la Récession» contient six parties principales : d'abord un aperçu des caractéristiques sociales et économiques de la Colombie dans le contexte latino-américain, puis une analyse des contraintes financières de la Colombie en matière de devises étrangères, ensuite une étude de la structure de la dette de la Colombie qui explique dans la quatrième partie comment la Colombie est tombée sous «la patte» du FMI. Dans la cinquième partie, l'auteur nous fait part de la réponse et du programme officiel de la Colombie face aux mesures dictées par le FMI. Dans la sixième partie, il traite des aspects particuliers du programme actuel de réajustement de la Colombie en ce qui concerne notamment la restructuration des relations de productions par rapport à la nouvelle division internationale du travail.

La Colombie est le troisième pays de l'Amérique Latine le plus peuplé avec une population estimée à 31 million d'habitants en 1985. Au plan économique, l'agriculture, le commerce et les produits manufacturés comptent pour 20 % du PNB tandis que la vente du café rapporte 60 % des recettes d'exportation. Au plan politique, la Colombie vit sous un régime démocratique (de type bourgeois) depuis 27 ans. L'histoire économique de la Colombie a été marquée dans sa plus grande partie par des restrictions en devises étrangères. Les quelques périodes exceptionnelles ont été les années 1920-1925, 1953-1954 et 1976-1981. Le montant de la dette extérieure telle qu'elle est enregistrée en 1985 est de US \$ 11 milliards dont US \$ 7.500 milliards sous forme de dette publique et US \$ 3.500 de dette privée. La partie la plus importante de cette dette a été contractée en 1980, date à laquelle la Colombie bénéficiait de termes de l'échange favorables. Ce n'est qu'en 1981 que la Colombie commença à connaître des difficultés de trésorerie liées à une insuffisance de devises étrangères. Pour résoudre ces difficultés, elle essaya dans un premier temps de se passer du FMI en organisant les autres états de l'Amérique Latine en vue de trouver une solution interne au problème d'endettement. Ces efforts furent vains et elle dut elle aussi s'asseoir à la table des négociations avec le FMI. Néanmoins, le cas de la Colombie présente les caractéristiques suivantes :

- La communauté des intérêts des organismes menant des activités aux plan bilatéral, multilatéral et commercial n'a jamais été aussi claire;
- La pression croissante de ces organismes a manifestement révélé que le souci du FMI est moins d'équilibrer le secteur externe de la Colombie que de s'assurer que les grands créanciers américains puissent être payés;
- L'imposition de politiques autres qu'économiques de la part des Etats-Unis sur le pays débiteur ;
- Les doctrines de marché ouvert et de circulation libre des fonds n'ont jamais été si étroitement associées à la libre entreprise.

THE IMF AND WORLD BANK CONDITIONALITY: TANZANIAN CASE

By

*Kighoma A. MALIMA***

I. — INTRODUCTION

The economic difficulties confronting the developing countries today have, once again, focussed our attention of the role and relevance of the international financial institutions created in 1944 at Bretton Woods. There is no doubt that, on the one hand, as the economic crisis in the developing countries has deepened, these countries have increasingly looked to the international financial institutions for extra foreign exchange resources, in order to finance desperately needed imports. On the other hand, however, the advanced capitalist countries which control those international financial institutions have used them as means for controlling the economies of the Third World, and more specifically as an instrument for prescribing and promoting the economic system they prefer (i.e. free market capitalism). The few countries which have resisted such concerted international pressure have been living under the shadow of constant pressure from all sorts of — often unsuspected — sources and countries.

The Tanzanian experience graphically illustrates, in the words of a noted West Indian economist, Clive THOMAS, the «important danger confronting the small underdeveloped economy pursuing a socialist strategy of economic transformation. When faced, as it seeks to disengage from international capitalism, with the short period problems of domestic resource bottlenecks, foreign exchange availability and slowly rising income levels, the temptation is to tone down socialist policies and to seek various accommodations and partnerships with capitalism, since it is believed these account for the other countries' successes. In addition the spectacle of industrialized socialist countries contending for «similar» partnership arrangements with capitalism (trade treaties, management contracts, etc..), and making other political accommodations in order to ease their resource bottlenecks, will strengthen the temptation to tone down socialist policies and thus weaken the will to persevere»*** There is no doubt that even the anti-Tanzania propaganda that one sometimes reads in the Western media, which blames the country's present economic problems on her socialist policies, is calculated to achieve such an objective. In such polemics the obvious fact that the present economic difficulties face all developing countries, and cut across the whole range of differing socio-political strategies, is conveniently and mischievously obscured.

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*** *Clive Thomas, Dependence and Transformation, Monthly Review Press, New York, 1974, p. 117.*

In a rigorous examination of Tanzania's economic plight, one finds a chain of external factors which account for most of the present difficulties. The first is the inescapable fact that Tanzania, like all other primary products exporting countries, is forced to sell cheap and buy dear. In other words, while the prices of her exports have either been stagnant or falling, those of her imports have been rising. Thus, more and more of our products are needed in order to purchase less and less of what we require from outside. If such an arrangement cannot possibly be viable for an individual businessman, it can hardly be otherwise for a country. In 1973, for instance, we needed no more than 5.4 tons of tea in order to purchase one tractor, while in 1983 the same tractor required us to export 10.1 tons of tea. Consequently, such an international environment, aggravated in practice by drought, has given rise to a very acute foreign exchange crisis with ramifications in practically every economic sector.

The lack of foreign exchange, for instance, has meant an inability to import essential spare parts, replacement equipment, and industrial raw materials, all of which are needed for domestic production, as well as transport and other services; it also means an inability to buy from abroad the consumer goods which still cannot be produced locally. The productive capacity of our domestic industry is thus grossly underutilized because of the lack of imported spare parts and raw materials, creating a grave shortage of essential industrial commodities. This situation has further fueled domestic inflation, the current rate of which is estimated to be 30–35 per cent per year, — much higher than we were used to until the end of the 1970's. Inevitably therefore, as the utilization of domestic productive capacity has been reduced, on the average, to about 25–40 per cent, the revenue base for the government has also been eroded. Unprecedented budgetary deficits have resulted. For since very little is being produced or imported, government revenues in the form of sales, import, as well as Corporation income taxes, have been drastically reduced. These external and budgetary imbalances have also starved the domestic transportation services, the educational system, and the health services, as well as rural water supply services, of critical spare parts, replacement equipment and other essential materials, hence adversely affecting our most cherished basic needs programme.

The devastating impact of the foreign exchange crisis extends to agriculture as well. In Tanzania, agriculture accounts for over 75 per cent of the output of the productive sector, 80 per cent of the export earnings, and provides 85 per cent of all employment. Thus, agriculture has truly been described as the backbone of the Tanzanian economy. However as in most developing countries, Tanzania's agriculture is extremely dependent on imported farm implements, fertilizers, insecticides, seeds and even various packing materials. Where the basic farm implements and fertilizers, for instance, can be, and are, produced locally, the requisite raw materials have still to be imported from outside. Consequently, with the dearth of foreign exchange, agricultural production in Tanzania has not only been adversely affected by weather but also by the lack of various and critical agricultural production inputs.

It is, of course, true that some of the problems afflicting agricultural production in Tanzania are internal, and Government's effort and attention are presently directed at dealing with these as effectively as possible. Thus, for a long time, the proportion of public investment allocated to agriculture was not commensurate with the importance and dominant role which the sector plays in our economy. During the ten year period of 1972-1982, the share of public investment going into agriculture was 10-13 per cent. At the Party Congress in October 1982, it was therefore decided that the Government should re-examine the National Development Plans in order to accord to agriculture the importance it deserves. Since then the share of public investment going into agriculture has been raised from 13 per cent in financial year 1982/83, to 28 per cent in 1984/85. Secondly, while government now accords great importance to the setting of remunerative agricultural producer prices, an exercise which is undertaken annually, it has been vividly recognized that the whole question of incentives to the farmers encompasses not just producer prices but also timely provision of agricultural production inputs as well as cheap technology on the one hand, and availability of incentive consumer goods on the other. Thirdly, the question of efficient and responsive institutions, in order to serve agriculture and the farmers, is equally being tackled with the carefully planned reintroduction of cooperatives, which were abolished in 1976, as well as by redefining the role and structures of the various Crop Authorities.

In general, however, the severity of the economic difficulties which Tanzania, like most developing countries, presently faces underlines the inherent weakness and vulnerability of her economic structures to external shocks and disturbances. Indeed, the inescapable conclusion remains that, while the internal factors like declining agricultural production may have made an extremely grave situation worse, they were not decisive. Indeed, even if Tanzania is slighted by her detractors for her failure to adopt what they call «appropriate» economic policy reforms, there are surely other developing countries which have adopted those so-called «correct» policies and are today still facing as severe, if not more severe, economic problems as Tanzania. In fact, according to the *World Development Report* (1983), produced annually by the World Bank, the socio-economic performance of Tanzania, compared with other countries in Sub-Saharan Africa with differing socio-political strategies, looked as follows:

	Adult Literacy Rate ----- (1980)	GDP per capita Growth ----- (1960-1981)
Tanzania	79%	1.9%
Kenya	47%	2.9%
Ivory Coast	35%	2.3%
Malawi	25%	2.7%
Nigeria	34%	3.5%
Senegal	10%	-0.3%
Zaire	55%	-0.1%

Thus, the above indicators of adult literacy rates as well as GDP per capita annual growth rates, clearly demonstrate, that, if anything, it is «socialist» Tanzania which has performed best with the limited resources at the disposal of the developing countries in question. For, not only was Tanzania able to attain a modest, but comparatively above average, income per capita growth rate during her first twenty years of independence, but what was even more spectacular, she achieved one of the most impressive rates of adult literacy in Africa. The long term importance of general education in any economic transformation effort cannot be overemphasized.

II. — A CRITIQUE OF IMF/WORLD BANK CONDITIONALITY IN THE LIGHT OF TANZANIAN EXPERIENCE

The foregoing exposition of the root causes of the economic difficulties faced by Tanzania, provides the necessary background for appraising the standard IMF prescriptions offered to all developing countries as a panacea for their economic ills.

The World Bank is also controlled by the large and developed wealthy nations so that it favours capitalist development strategies. But its development requirements also force it to think in relation to the longer term, and to accept at least the basic realities of underdevelopment. It is therefore somewhat more amenable to rational argument, and is constrained in its assistance rather more by being starved of resources and the rigidity of its basic allocation and repayment rules than by a doctrinaire approach to development projects proposed to it. That does exist, but is not an impenetrable obstacle to the usefulness of the World Bank to poor countries, whether socialist or capitalist inclined especially as all in fact have both public and private sectors. Further, the existence of the International Development Association marks a World Bank recognition that terms and conditions for assistance appropriate to poor countries are not the same as those which can be applied to richer ones. The IMF, of course, makes no such distinctions.

The present negotiations between Tanzania and IMF date as far back as mid 1977. At that time, as a result of the temporary coffee boom, Tanzania found itself with foreign exchange reserves larger than usual. Consequently, the IMF, through its routine Article IV consultations, advised the Tanzania Government to liberalize its import control system, because it was claimed that such large foreign exchange reserves were «embarrassing» for a poor country. The Government did accept the IMF prescription in a moderated form, but it did so rather grudgingly and reluctantly, because it felt that what a country like Tanzania could least afford was general import liberalization. Indeed, it took less than twelve months of even the «liberal» importing to which Tanzania had agreed to exhaust whatever foreign exchange reserves the country had. Very soon after that, the IMF and the Tanzania Government were therefore negotiating an Extended Fund Facility. Those negotiations collapsed in October, 1979, leading to the resignation of the then Minister for Finance, because the conditions which the IMF was trying to impose were unacceptable to the

Tanzania Government. However, in August/September, 1980 the negotiations for an IMF Stand-by-Credit were resumed and concluded. The total amount involved was SDR 166.5 million, or US \$ 235 million, which was to cover a period of two years, ending in June, 1982.

The first drawing of SDR 25 million, or US \$ 35 million, was made as soon as the agreement became effective. This was the only drawing made by Tanzania under the IMF Stand-by-Agreement of 1980. Subsequent drawings were suspended by the Fund by December 1980, because, it was claimed, Tanzania was not fulfilling the conditions. In further efforts to reactivate the programme, a number of IMF missions have visited Tanzania since that time, but to no avail. Instead more and more stringent conditions were required of Tanzania, conditions that could not be fulfilled without avoidable, destructive — and to us unacceptable — social upheavals.

In fact, as one examines the political implication of one IMF condition after another, the argument that the IMF's main pre-occupation is with technical recommendations becomes less and less plausible. In discussing the IMF conditionality, however, a clear distinction has to be made between two issues. First, the condition that resources (including «aid» resources) should be used efficiently and also, as far as possible, for the purpose for which they were intended, is not really at issue. Unfortunately, this condition has not received as much attention or emphasis as the others, even from the agencies themselves.

What has become controversial, as well as unacceptable, especially to those developing countries with clearly defined socio-economic strategies, is the prescription of policies laid down for the recipient as a condition for receiving assistance. The standard and familiar IMF conditions, which have become the subject of heated and sometimes even acrimonious debate in the Third World today, include exchange rate policy (devaluation), interest rate policy, price and import decontrol, budgetary cuts and privatization of the national economy. It is, therefore, most illuminating to assess briefly each of those conditions and their relevance to the economic conditions existing in Tanzania.

1./ EXCHANGE RATE POLICY

In accordance with strict classical economic doctrine, devaluation of a national currency was intended to stimulate exports and decrease imports. The underlying assumption is that both exports and imports are highly responsive to small price changes. Thus, to provide the anticipated and needed relief in a country's balance of payments or foreign exchange position, devaluation of a national currency is expected to increase export earnings and reduce expenditure on imports, both of them expressed in foreign (and not local) currency, leading to an increase in the country's foreign exchange reserves and hence also an improvement in its balance of payments position.

In an industrial market economy with idle factories and a large proportion of the labour force unemployed, on the one hand, and at the same time, importing goods and services that can be produced at home, on

In an industrial market economy with idle factories and a large proportion of the labour force unemployed, on the one hand, and at the same time, importing goods and services that can be produced at home, on the other hand, devaluation may indeed provide the remedy that is needed to stimulate domestic production and exports and eventually give relief from the balance of payments difficulties. Such a measure will discourage imports in favour of domestically produced goods and services, as imports become expensive. Similarly, foreign importers who were previously discouraged to buy from the country in question, will now find that devaluation has made goods and services of the devaluing/exporting country cheaper. However, even for such industrial market economies, doubts have recently been cast concerning the efficacy and social costs of devaluation as a means for bringing about an external balance.

When it comes to a developing country like Tanzania, which is an exporter of primary commodities like coffee, cotton, tea, tobacco, cashew-nuts, sisal, etc..., devaluation makes no difference to the overseas currency selling price of their export commodities, because these prices are fixed by the international commodity markets. What devaluation does mean is that the country buys its essential and irreducible imports at an even higher domestic price than before. And although the devaluation will mean that the country can pay more Tanzania Shillings to the farmers, the effect on production will not be spectacular and may even be non-existent. For it takes a year to increase the production of commodities like cotton and tobacco, and five to six years to increase appreciably the output of crops like cashewnuts, coffee, tea, and sisal. And in the meantime the farmer's costs will have gone up considerably.

Further, as a result of the austerity programme, arising from both the difficult foreign exchange position and deliberate social policies, Tanzania no longer imports inessential commodities. In fact, practically all serious observers described Tanzania's imports as having been reduced below the socially acceptable and economically efficient minimum. Thus, since all of Tanzania's present imports consist of only essential commodities which cannot be reduced further without serious and unwarranted socio-economic consequences devaluation inevitably imposes additional hardships, without an immediate compensating effect through the expansion of exports or domestic production. Indeed, in an economy like that of Tanzania, an increase in domestic agricultural as well as other productions requires a certain amount of imports, the cost of which is increased by devaluation.

Thus, while it is true that there is an unassailable need to pay farmers higher producer prices, from not only an economic but also an equity point of view, devaluation does much more than enable the payment of higher producer prices. For by raising import and domestic production costs, its effects on real producer prices cannot be predicted with any certainty. It will certainly be no incentive to the farmer if the money prices paid for his crops increase, while at the same time the prices of essential imported agricultural inputs as well as basic non-agricultural goods, which he must purchase, also increase to a compensating degree as a result of devaluation.

Thus the use of devaluation as an instrument for correcting the budgetary imbalance of the Government or export organizations should only be resorted to after examining all the available and feasible options for tackling such an admittedly genuine problem. In fact, devaluation cannot be a lasting and dependable tool for shielding exporting organizations from financial losses, because of the frequent fluctuations in the world market prices of coffee, cashewnuts, sisal, cotton, etc... This means that when such sound socio-economic arguments against indiscriminate use of devaluation are not even taken into serious consideration, the case for devaluation undoubtedly becomes political and no longer economic.

In Tanzania, for instance, while we have not yet found a convincing case for massive devaluation of 100–150 (or 60–70 per cent) per cent, in terms of local currency, we are not anti-devaluation, *per se*. Thus, in March 1982, June 1983 and again in June 1984, the Tanzania shillings devalued by 10 per cent, 27 (20%) per cent, and 38 (26%) per cent, respectively, in terms of local currency, when it was felt that the Tanzania shilling had appreciated very much in terms of major European currencies, largely as a result of our shilling being pegged to the U.S. dollar. Thus, we do make a clear distinction between exchange rate adjustments which have economic as well as empirical justifications, on the one hand, and the massive devaluation proposals made to us by IMF and which purport to rectify balance of payments deficits, government budgetary imbalance or even facilitate the payment of higher agricultural produce prices, on the other. For these would, it seems to us, create more problems than they solve.

2./ INTEREST RATE POLICY

In a developed market economy, the rate of interest is supposed to work as an instrument for achieving both internal and external balance. Thus, internally a higher rate of interest is intended to reduce the level of investment expenditures, by increasing the cost of capital funds in the market and by so doing eventually reduce domestic inflation. Similarly, higher interest rates are also supposed to increase the return on savings and thus encourage the population to save a larger proportion of their incomes. However, in recent years there has been increased scepticism about these theories, especially in those advanced industrial economies which suffer not only from inflation but also from unemployment and/or social unrest. Similarly, on the external sphere, an increase in interest rate is intended to discourage capital outflow and encourage capital inflow into the country concerned, and ultimately help to reduce or even eliminate the balance of payments deficit.

Whatever the validity of these arguments elsewhere, the fact is that in a developing economy like Tanzania, the main internal effect of a large increase in interest rates would be to increase domestic costs of production and other services because of the increased financial costs of operations. The bulk of investment allocation is determined by the Plan, which is

drawn up in the light of the need to promote accelerated, balanced, and self-reliant development. A very large increase in interest rates has therefore been resisted for fear that its real effect will be merely to inflate the cost of investment and domestic production generally. The prime causes of domestic inflation in Tanzania being the rising prices of oil and other imports, with the consequence of low levels of productive capacity utilization and investments, substantially increasing interest rates would make desperately needed investment unnecessarily costly, and thus make an already bad situation very much worse. Indeed, the rational course in such a situation would not be to discourage investment through punitive interest rates, but to direct investment into breaking bottlenecks which exist in the productive sectors and in strategic social and economic infrastructures. Only by this means can the economy be rehabilitated and the levels of production and productivity substantially and rapidly raised. In the *external context*, the use in a developing country like Tanzania, of higher interest rates as a means of attracting short-term capital flows is obviously a figment of the imagination! The necessary and tight exchange control system and general poverty of even the most capitalist inclined developing country means that people are more inclined to take their capital out than to bring it in however high the interest rate.

Finally, there remains the argument for interest rates as means of mobilizing domestic resources, primarily from the small savers. In the first place, in Tanzania about 85 per cent of the population live in rural areas, with the vast majority of the people earning incomes which are barely adequate to keep body and soul together. Secondly, the main constraint to savings mobilization has been found to be the proximity and availability of banking services. It is extremely implausible that people would travel long distances, sometimes between 80–160 kilometres, in order to deposit their modest funds, merely because the rate of interest has been raised to a theoretical «optimum». The decisive factor in such a situation has been the spread of banking services to the rural areas. In Tanzania that means, ideally, to each of the over 8,000 villages – an objective which at the moment appears attainable only in the far distant future.

In short, the proposals that interest rates in Tanzania should be increased to 30–35 per cent, has been resisted because it is irrelevant to the real problems and could cause seriously adverse socio-economic consequences. As in the case of exchange rate policy, the critical question for Tanzania is the level of interest rates which would on balance bring the best macro-economic result in light of objective reality. Thus in August 1983 the levels of Tanzanian interest rates, for both deposit and lending, were increased, on the average, respectively, from 6.15 and 9.75 per cent to 7.25 and 10.5 per cent. Those rates are kept under constant review by the Central Bank in order to determine if any further revision is necessary or appropriate.

3./ REMOVAL OF PRICE CONTROL

It is claimed that dismantling the price control system would eliminate the need for government subsidies to parastatals and the incidence

of the black marketing. The case for agricultural subsidies in developing countries is clearly very similar to that for agricultural support prices as practiced by the governments of Europe and North America. That is, the imperative of paying the farmer (producer) remunerative and equitable prices, and on the other hand, of ensuring reasonable food prices to the urban and non-agricultural population.

Further, the objective of general price controls is normally to achieve a certain amount of equity, so that no one should be denied the basic essentials of decent living because the pricing system has made such commodities inaccessible. In that sense, price control is essentially an integral part of an income policy. The claim that price control brings about black marketing is not substantiated by the twelve year practical experience of price control in Tanzania. When there are reasonably adequate supplies of a commodity the black market problem is non-existent. Thus, it is very much preferable to cure the illness (shortages as a result of a drastic decline in import capacity and therefore domestic production), rather than deal with the symptoms (black marketeering).

In Tanzania, in June 1984, the subsidies on maize flour and fertilizers were removed, and wages and agricultural producer prices, respectively, were enhanced as compensation for the removal of those subsidies. Similarly the number of commodities subject to price control has been substantially reduced and the system of supervision has been simplified. Time will tell if we made a correct judgement about the greater efficiency, from the point of view of economic production and social equity, of these steps. But they are another indication that we are committed to certain social goals and not to particular means of reaching those goals.

4./ REDUCTION OF GOVERNMENT EXPENDITURE AND FREEZING OF WAGES

When considered alongside proposals for massive devaluation, substantial increases in interest rates, and the decontrol of all prices, the proposal that government recurrent expenditures must also decrease, — or at the very least not increase, — is bound to have very grave socio-political consequences. In the case of Tanzania, among the first casualties of such a cut-back in government spending would certainly be essential social services, like education, health services, and rural water supply, since these together take the lion's share of the country's government recurrent budget. But how can developing countries, like Tanzania, be advised to direct their socio-economic programme to the poor, and then be asked to cut back on precisely those very programmes which meet the basic needs of the people? To answer such a question by saying that let the people pay for such services is, at best begging the issue. For, how, in turn, can people who are last able, be asked to pay for services which everyone agrees are absolutely essential?

In addition to all those very harsh measures normally included in the IMF conditionality list, there is usually also a requirement that there should be no general increase in wages, or at best a nominal one. The real

question then, is, how can a rational Government, especially in a poor country like Tanzania, increase the price of a staple food, like maize flour, at once by 200 per cent, without at the same time offering any increase in wages, which are in the first place at a subsistence level? What incentive would there be for the workers to increase production, without resorting to repression? Some observers have aptly described such measures as a prescription for social disorder. That is why in Tanzania we could not, in conscience, remove food and fertilizers subsidies, as we did in June 1984, without at the same time making compensating increases in both wages and agricultural producer prices.

In Tanzania, the Government is of course, more than acutely aware of the need to bring the annual rate of increase of government recurrent expenditure into line with government revenues, as well as the monetary gross domestic product (GDP). The problem, however, has been that the government revenue base, as explained previously, is very much tied to the availability of foreign exchange, necessary for making possible efficient domestic production and the purchase of essential goods not domestically manufactured. Under such circumstances one cannot trim government recurrent expenditure simply because government revenues are falling due to declining imports and domestic production, without weighing the ensuing socio-political consequences. Adjustments have to be made. But if the burden of such adjustment is not to be borne solely by the most vulnerable segments of the population, a three to five year perspective is definitely needed in order for such adjustment to be achieved relatively smoothly.

5./ *PRIVATIZATION OF THE ECONOMY*

Another aspect of IMF conditionality which has received great prominence recently, is an emphasis on the magic of the private sector in solving the problems confronting poor countries. In the first place, a realistic assessment of the situation obtaining in all developing countries would reveal that in none of them are the activities of the private sector non-existent; it is merely the relative size of the public and private sectors which differs — and even this partly for historical and nationalist reasons rather than because of ideology. Thus, even in Tanzania, whose stated socio-political objective is to build a socialist economy, the private sector still plays a very important role in almost all activities including agriculture, industry, transport and commerce.

Secondly, even conventional development theory accepts the fact that the private sector cannot be expected, at least in the currently under-developed countries, to build the required economic infrastructures, like roads, railways, harbours and power stations. These have to be provided by the State if any development is to take place at all. Even in the industrial market economies which are most actively preaching the gospel of private enterprise as the panacea to all the Third World's economic problems, the public sector is not absent!

No one in Tanzania disputes the fact that public corporations have to be run efficiently. But we do not accept that the solution to loss making public enterprises is to hand them over to the private sector or even to close them down. The latter could mean that an essential service may not be provided at all, (and both USA and Britain have sometimes found it necessary to subsidize key private enterprises — or to nationalise them). And looking at contemporary Africa, as I have already pointed out, the difference between «socialist» Tanzania, on the one hand, and the «non-socialist» Kenya, Ivory Coast, Malawi, Senegal and Zaire, on the other, in terms of their respective socio-economic indicators during the last twenty years, does not do much, if anything, to strengthen the case for relying entirely on unfettered private enterprise in our economies.

6./ LIBERALIZATION OF IMPORTS

The other major IMF condition is usually a demand for the removal of all forms of import and exchange control in a developing economy. In the case of Tanzania, import and exchange controls were instituted for the sole purpose of husbanding scarce foreign exchange resources, in order that they may be utilized for the benefit of all the people, instead of a select and privileged few. Thus, if at the moment, despite such controls, we are unable to import even the minimum industrial raw materials, spare parts, medicines, educational materials, etc..., which we require, it is difficult to see how import liberalization will help. What is obvious is that such import liberalization can only work at the expense of highly essential imports, as the little foreign exchange would be offered to the highest bidder, who may well import luxury goods. Indeed, our experience of liberalization of 1977/78 is still a sombre reminder to every serious Tanzanian of how things can go. We felt the effects of that debacle for many years.

III. — CONCLUSION: CONDITIONALITY AND ADJUSTMENT

The gravity of the economic situation, throughout the Third World, is getting worse from one year to the next. I have already pointed out that it is no longer rational to ascribe the economic plight facing a developing country like Tanzania to particular socio-economic policies; the difficulties do indeed cut across countries with differing socio-political perspectives. Those who continue to pursue that line of reasoning are, indeed, doing so primarily for self-serving political purposes, or looking for an alibi for the failures of the international economic systems. For certainly such political postering cannot be the result of an objective assessment of the actual situation obtaining in the developing countries.

Thus, what we are witnessing in Tanzania and other developing countries today, is a new and even more pernicious form of colonialism. The carrot of very limited financial support is being dangled before countries in a desperate economic situation. But concealed in that carrot is a denial of sovereignty. Thus, one developing country after another is put under immense pressure to abandon any kind of enlightened and equitable

socio-economic policies based on social justice, in favour of the privatization of their economies. Unless they are able to muster enormous reserves of political strength so that they can resist this pressure, and either hold out until they can get a tolerable IMF Agreement or rehabilitate their economy by some other means, the result of getting IMF Aid is all too often «IMF Riots» or other forms of political instability – to say nothing of the suffering of the weakest people in the population.

Thus, in a conspiracy of silence or indifference on the part of the developed countries, the independence and political integrity of Tanzania and other economically weak Third World countries is being undermined. What is worse, the medicine offered is often worse than the disease, hence bringing not only a short-term nightmare, but also a bleak future, without any ray of hope for a better tomorrow, especially for the poor and vulnerable groups. How much more suffering, one may ask, should befall those innocent and helpless victims, before an enlightened and concerned public opinion in the advanced capitalist countries comes to their long-overdue rescue?

In belabouring the question of conditionality it is not my intention to underplay the need and importance of adjustment in the developing countries. The present unfavourable economic conditions, by all indications, are going to be with us for quite some time, and they present a challenge to both the developing countries and the developed countries to implement some adjustment policies in an orderly manner. Such adjustments would undoubtedly involve difficult choices for both types of economies, but the longer such adjustment measures are delayed, the tougher will be the measures required at a future date.

In Tanzania, for instance, we have come to associate the process of adjustment necessary to cope with a changing and hostile external environment as consisting essentially of three elements. The first involves adjustment in favour of production in contrast with services. Given the fact that resources are extremely limited, it is not possible to increase appreciably the share of investment going into productive activities and at the same time also expanding considerably the social services. In the case of the latter, we have therefore decided to place emphasis on the consolidation of the social services that we have already established. In the case of productive sectors, the priority will be agricultural production in order to meet the growing requirements for food, raw materials for the domestic industries, as well as export (foreign exchange) earnings.

The second element of adjustment concerns production techniques that predominantly favour or rely on locally available raw materials and spare parts, instead of imported ones. Thus, on the one hand, adjustment requires expansion of the export base, to include not just primary products but also semi-finished manufactured products. On the other hand, the drive for *export promotion* in order to relieve the foreign exchange bottleneck, has to go together with an aggressive programme of *import-saving*. To mention only a few, as an illustration, the increased use of hydro-power, coal, solar and wind energy, etc..., instead of imported fuel is a clear example of such an effort although even these require foreign exchange in the first instance.

The third element involves adjustment in consumption habits and patterns, in order that they be sustainable by domestic production and incomes. This last element essentially has three interrelated implications. First, the need for the Government itself to live within its means so that, as far as politically possible, government expenditures should be brought into line with government revenues – or vice versa. Secondly, in the external accounts also, exports of goods and services should at least finance recurrent import requirements. Thirdly, the consumption habits of the general population as a whole have also to be consistent with domestic production of both food and other commodities. This may sometimes mean using locally available but somewhat lower quality products, instead of the usually preferred and «superior-quality» imports. Thus, the importance of adjustment in all these three aspects, especially for a country like Tanzania which has embarked on an independent, socialist and self-reliant strategy, cannot be overstated.

Nevertheless, having accepted the basic tenet that some adjustment is necessary and unavoidable, especially for a country which has adopted a socialist and self-reliant development strategy like Tanzania, two paramount questions have still to be faced. The first concerns the speed of such adjustment. In other words, what is the appropriate dose which cures the illness without killing the patient? Indeed, the issue of the speed of adjustment can make all the difference between adjustment taking place at all in an orderly fashion, on the one hand, and social disintegration and disorder on the other. The wrongs of decades, or even centuries, cannot be corrected in a year.

Secondly, who bears the burden of such adjustment is another crucial socio-political question. Tanzania regards it as essential that the burden of adjustment be equitably shared among the various social groups of the population. The adjustment measures usually recommended by the international financial institutions, which attack the poor instead of attacking mass poverty, inevitably create enormous social tension and unrest, because they invariably impose a disproportionate burden on the poor and the dispossessed. Thus, as already stated, there is a definite and glaring inconsistency between the economic conditions offered as the price of aid to the developing countries by the international financial institutions, and the lip-service references to the provision of basic needs and the eradication of mass poverty which are enunciated by them.

Finally, when the present economic crisis defies any simple and ready made solutions, and when, as someone once said, the poverty of resources does not necessarily imply a poverty of creative ideas it is surely important that the right of the peoples of the developing countries to determine their own socio-political systems, objectives, and future, should be inviolable. Indeed, we cannot avoid the judgement of history if, through indifference, chicanery and chauvinism, we allow – even by default – such fundamental rights of states to be trampled upon by those with the financial jack-boots.

THE ZARIA DECLARATION OF AFRICAN SOCIAL SCIENTISTS ON THE ADJUSTMENT OF THE AFRICAN ECONOMIES TO THE WORLD ECONOMIC CRISIS

I. – PREFACE

This Declaration is the consensus of social scientists from several African countries meeting at Ahmadu Bello University, Zaria, Nigeria. The meeting was also attended by three Latin American social scientists. The conference was jointly organized by the Centre for Social and Economic Research of that institution and the Council for the Development of Economic and Social Research in Africa (CODESRIA) on «*The Adjustment of African Economies to the World Economic Crisis*». The conference took place between the 11th and the 16th of March, 1985.

The conference was called as a result of the anxiety of the social science community in Africa in respect of the current social and economic crisis in Africa and the analysis of this crisis both by some national policy-makers and the international communities. The social science community felt that the policy prescriptions resulting from this analysis, (often made in secrecy and without any significant input by the social science community and those directly engaged in production who are most severely affected), are more likely to compound these social and economic crises rather than alleviate them in the short, medium and long-runs.

The errors made in such analysis derive from the conceptualization of the crisis and its root causes and, therefore, of the measures necessary for arresting and reversing the present stagnation and regression of african economies.

Further, such analysis is deficient in terms of historical as well as comparative perspectives.

It was to these pressing issues that the conference addressed itself, in the hope of assisting: (a) policy-makers committed to genuine social and economic transformation and development of the African continent, (b) the social science community in their efforts to understand the nature of the crisis, (c) the African population in their efforts to establish egalitarian, self-reliant and self-determined societies.

II. – THE NATURE OF THE CRISIS

Orthodox social scientists as well as international institutions such as the International Monetary Fund and the World Bank, tend to perceive the crisis as one of declining growth of GNP, balance of payments difficulties, large and persistent budgetary deficits, high rates of inflation, over-valued currencies, severe foreign debt problems and so on.

In our view, these are merely the manifestations of more severe problems relating to dependence, exploitation and underdevelopment, which inevitably lead to: rural stagnation and decay as a long-term process; decreasing food production and greater dependence on food imports; massive migration to the urban areas; growth in unemployment and underemployment; declining and distorted manufacturing sectors; hyper-expansion of the service and tertiary sectors; regressive and worsening income

distribution; decline in production and productivity in relation to sectors destined to the domestic market for mass consumption goods; economic fragility and dependence (technological, financial, managerial, marketing etc...) on external sectors. All these have become accentuated in recent years. As part of this complex process there has been at the same time, an increase in the size and in the political and economic influence of social groups and ruling elites which are not directly productive and gain their wealth through exploitation, speculation and the misuse of the national coffers.

The logical corollary of this has been an increase in state and institutional repression to ensure that this process, which benefits only a small fraction of the population, continues.

III. — CAUSES OF THE CRISIS

According to the IMF, the World Bank and some social scientists, the major cause of this situation is essentially excessive governmental interference in the economy and the diminution of the role of market forces.

Other explanations propounded by this school of thought include: lack of discipline in budgetary matters; excessive domestic consumption due to high real wages and low productivity; investment policies that give undue priority to import-substitution industrialization and prestige projects to the neglect of traditional exports in which these countries are said to have «comparative advantage»; the abandonment of export-led growth as a development strategy; foreign trade and payments restrictions which discourage direct foreign private investments; price «distortions» due to excessive subsidies for mass consumer items; low domestic interest rates and easy credit availability leading to the expansion of domestic money supply and thus inflationary pressures.

Such explanations are usually supported by «statistics» and «examples», thus often making them look «genuine and scientific» even to the progressive policy-maker or social scientist.

A correct diagnosis, however, has to transcend these static appearances and manifestations and base itself on concrete historical analysis. The starting point, in our view, is the colonial heritage which imposed a particular pattern of international division of labour. In the colonies, this division of labour manifested itself in the divorce between the structure of domestic production and that of domestic consumption, with the determinants of growth, therefore, being located in the advanced industrialized countries and resulting in massive transfers of real value outside the African continent. The fact that this pattern of international division of labour led Third World countries, generally speaking, to greater dependence and underdevelopment, is a well-documented and known phenomenon. Furthermore, there was, particularly in Africa, the emergence of a small social group with substantial economic and political powers at the national level, with consumption patterns turned to external markets, with strong economic and ideological affinities to dominant social groups in the metropolitan countries both for political survival as well as for opportunities open to it to amass wealth.

These economic patterns and the nature of economic and political relationships were called into question, since the late fifties and early sixties, by some social scientists and the national liberation movements. Additionally, and even before independence, these relationships were being jeopardized by the growth of progressive forces at the world level (for example, the emergence of the socialist block) and the rising political consciousness in several countries.

To preempt this trend from becoming radicalized, limited political and economic concessions were granted to the former colonies. New political forms were also devised to disguise and perpetuate the colonial relationships through such mechanisms as the Yaounde and Lome Conventions, etc...

In this context, the process of the privatization of the state (meaning the state becoming the major instrument for private accumulation) took on an added significance, in the absence of a developed national bourgeoisie in most African countries.

By the late sixties, accentuated domestic contradictions linked to trends in the development of international progressive forces, political mobilization of workers and peasants due to limited expansion of economic activities, as well as technological transformation in the advanced capitalist countries leading to a fall in the demand for the traditional exports of the African countries, started threatening both the economic and political interests of newly emerging domestic ruling groups. It is important to correctly situate the beginning of the crisis in Africa. It was already evident in the mid to the late sixties with the drastic drop in the prices of most commodities (cocoa in 1965, tea during the decade of the sixties, coffee in 1966, rubber in 1967, bauxite in 1960–1965, etc...) and it is erroneous to attribute the crisis to the so-called successive oil price shocks of 1973 and 1979 as most conventional literature does.

The interests of the ruling elites were threatened both from above and from below. Fundamentally, the problem was, and still remains, how to maintain political stability in the face of economic stagnation and decline, sharpened internal social contradictions and increasing pressures for social, economic and political reforms. The coups and counter-coups that have characterized Africa beginning in the mid-sixties (e.g. East and West Africa) are a demonstration of the relative successes of the ruling groups in containing these pressures. Invariably these events have been accompanied by more repressive measures.

An alternative to this process and the repressive measures that normally accompany this, is moderate structural changes as have been attempted by some countries. This normally arouses vested national and international interests which immediately leads to processes such as capital flight out of the particular African country, deterioration in credit rating, the hardening of IMF bargaining stance, all of which lead to the worsening of the balance of payments position.

In sum, the causes of the crisis are structural and not due to temporary, transient phenomena or mal-administration though the latter is, of course, an important element in the crisis. By mal-administration we mean in particular, the allocation of resources to non-productive sectors, the urban bias of policies, reckless deficit financing, mis-management, inefficiency and corruption and the reckless pursuit of foreign borrowing. These are certainly not conducive to genuine independent development.

What is at stake is the very survival of the state in Africa, the legitimacy of the existing regimes and the perpetuation of imperial rule. Sub-regional and regional approaches to patch up the prevailing structures have so far proved inadequate as a result of the very factors that caused the crisis.

IV. — ADJUSTMENT MECHANISMS BEING PROPOSED

The adjustment measures generally proposed by the IMF are remarkable by their uniformity despite disclaimers to the contrary, and irrespective of the peculiarities of the situation. They consist of:

- Devaluation,
- Cuts in public expenditure,
- Privatization,
- Liberalization of external trade and payments,
- Contraction in domestic money supply through contraction of credit, especially to the public sector and certain factions of private enterprise,
- Policies designed to expand traditional exports,
- Wage restraints and the elimination of subsidies on mass consumption goods.

These measures follow logically from an analysis of the crisis which, as we have argued above, is incorrect.

Not surprisingly, therefore, these measures hardly ever work: Drastic cuts in public expenditure lead to marginal improvements in external balances. Lowering aggregate demand leads to general depression of economic activity, which in turn, leads to a fall in government revenue and thus compounds government deficits. Devaluation seldom results in an export boom or rise in export revenue due to over-supply and a contracting of demand for the traditional exports of African countries. The high levels of imports remain sustained due to the inelasticity of imports to price-changes as a result of structural dependence of domestic production on imported inputs. Liberalization leads to worsening balance of payments problems linked to net export of capital. Privatization leads to *de-facto* monopolies by subsidiaries of Transnational Corporations, loss of control, inefficiency, further producing stagnation in production and productivity as well as inflationary pressures. All these are in addition to an aggravation of the foreign debt problems which these measures normally lead to: overall decline in economic activity, and failure of positive net transfer of resources to take place. Increasing public discontent leads to conflicts amongst different factions of the ruling elite. Furthermore popular discontent and

pressures against the austerity measures lead to greater reliance on overt use of state powers against organized labour, students, the press, the unemployed and the peasants. It is not surprising, therefore, that IMF austerity measures threaten the development of state structures, undermine the legitimacy of regimes, and further deepen endemic instability.

Acceptance of the adjustment measures as a precondition for granting so-called debt relief basically does no more than mortgage future production, limit domestic capital accumulation and the possibility of the emergence of an independent, self-reliant national economy. This means that the ability of the state to respond democratically to popular pressures is reduced to a minimum thus obliging the resort to more and more repressive measures.

V. — WHY ARE THE RULING ELITES PURSUING THE ADJUSTMENT POLICIES?

Despite the contention that these policies are necessary for stimulating a healthier and more balanced process of economic growth, the inescapable results have been to perpetuate stagnation at lower levels of economic activities, decapitalization of sectors geared to meeting domestic demand, unfair competitive edge given to transnational manufacturing and mining establishments geared to exports; in short, this is a masked attempt to perpetuate dependence and to introduce sophisticated mechanisms of external control and thereby increase the vulnerability of the ruling elites.

Even where no formal agreements have been signed with the IMF, some African governments have tried to implement IMF types of austerity measures. In some cases, this may be due to a belief on the part of the governments that there are no alternatives.

In other cases, there is a coincidence of interest between international finance capital and the dominant social groups in the African countries, especially the petty and comprador bourgeoisies. Even with states which would like to pursue alternative strategies, they often lack the popular base and the political legitimacy to oppose the adjustment measures being proposed by the IMF and the World Bank.

In short, the alternatives open to the African states are either to face the risk of popular disturbances such as the so-called «food riots» or to go beyond their own narrow interests, by more fully identifying themselves with popular and progressive forces, and relying on these forces to protect them against national and international vested interests.

VI. — ATTEMPTS AT FORGING NATIONAL CONSENSUS

Confronted with these options, their own vested interests and the IMF conditionalities, the national elites have tried to rally the public around their policies. They have tried to do so by presenting the argument that the economic crisis is caused by either, or a combination, of the following:

- a) natural disasters (drought, desertification, etc...);
- b) some vague, impersonal thing called «the global economic crisis» that everybody suffers from and for which nobody can be held responsible;
- c) sins of omissions and commissions in the past usually ascribed to previous regimes;
- d) fundamental flaws ascribed to the national ethos and culture of the people which are not conducive to development such as engaging in «conspicuous consumption» rather than hard work, savings and national accumulation. At times the people are blamed for «indiscipline» with respect to work, and their supposed expectation that development would fall as manna from the heavens, etc...

Such explanations therefore permit the governing groups to call for: belt-tightening on the part of all concerned, especially workers and peasants; lowering of the standard of living; greater work discipline; greater respect for an acceptance of authority, and a diffused and generalized call for support of the state and the political regime of the moment. In short, this translates into a demand for solidarity on the part of unionized labour and the peasantry around the programmes of the national elites coupled with a regressive movement into political passivity that reverses all the achievements of the national liberation struggles.

Such a national consensus is hard to sustain even in the short-run because the gains are wholly one-sided (i.e. for the national elites) as are the sacrifices, — emanating, as they do, mainly from the lower strata of society. The latter group constituting the majority are precisely those who have nothing to gain from such a national consensus, but whose cooperation for its success is indispensable.

There are different methods of implementing IMF adjustment programmes: some take the form of explicit agreements with the IMF and explicit performance tests, while others take the form of apparently autonomous decisions to implement austerity measures which in fact contain most, if not all, of the standard IMF adjustment measures.

Further, there are variations among countries in terms of their acceptance or rejection of specific IMF policies such as formal and open devaluation, privatization, etc... These apparent deviations from IMF measures often camouflage *de-facto* and subtle ways of complying with them such as gradual and incremental devaluations, multiple exchange rates, transformation of public enterprises into enterprises which respond exclusively to market signals and, therefore, function effectively as private firms. Furthermore, these apparent rejections of certain IMF policies are a reflection of internal contradictions amongst the ruling groups, estimates as to whether the measures will be difficult to sell to the public, and the variations in the modalities by which specific national elites can gain from a specific situation. Since IMF policies are usually negotiated on a continuing basis, these apparent deviations are tolerated because they could either be reversed at subsequent stages of the negotiations and, more importantly, because they do not threaten the logic of capital accumulation on a world scale.

VII. — ALTERNATIVES

There are three alternatives open to African governments. These are:

- 1) Continuation along present lines of bilateral accommodations with the IMF;
- 2) A shift to multilateral negotiations with the IMF in order to improve the IMF conditionalities, and
- 3) A radical break with the IMF and World Bank entailing a commitment to a fundamental transformation of the existing international division of labour and the genuine search for alternative models of development based on sub-regional, regional and south-south solidarity.

In public fora, attention has thus far been focused exclusively on the first two alternatives. For reasons to be developed shortly, it is our view that the first alternative can only result in nightmarish conditions. The second is likely to lead to short-term and transient gains, and should best be seen as a transitional strategy to the third alternative. Only the third alternative provides any hope for the survival of the African peoples.

(1) First Alternative: Derived Dependent Development through Bilateral Negotiations

The first alternative does not hold the promise of maintaining even the present levels of economic activities in most African countries. The reason for this is that the advanced capitalist countries, because of the current model of accumulation, and input requirements as a result of rapid technological change in industrial production, are less and less interested in Third World countries, as a whole, as sources of raw materials. What they are interested in, are specific raw materials located in a few selected Third World countries and in a disciplined and cheap labour force in other Third World areas for the production of intermediate (and the assembly of final) goods primarily for the markets of the advanced industrialized countries. This does not mean, however, that the markets of some Third World countries including those in Africa are irrelevant to international capital.

In this scheme of things, there are three categories of *Third World countries* though, of course, some countries may well combine especially the first two roles:

- those whose role is to supply cheap labour for relocated manufacturing establishments producing intermediate goods and components as well as the assembly of final goods, in decentralized production units. Here, the social role of the state in ensuring a disciplined and cheap labour force is primary;
- Second, those countries to be integrated into the World Capitalist System through the supply of selected mineral resources and cheap energy for the initial transformation and processing of these minerals. This corresponds to the strategy of redeployment and

- relocation of high energy consuming, high pollution and low retained value industries which have proved unprofitable in the centre. Here the economic role of the state as the provider of infrastructure and a guarantor of the debt of the private sector, both foreign and local, is of greater significance, and ;
- the third category of countries are the «new reserves». Their importance to the advanced countries is becoming less and less either as sources of raw materials, of labour, of the transfer of surplus or as markets.

While not denying the importance of certain African countries as sources for the supplies of specific strategic minerals to the world economy and granting that the «importance» of a country may also be determined by geo-political and military considerations, it is our opinion that a significant number of African countries are condemned to becoming the new international «reserves» and therefore belong to this third category. The gravity of the political, economic and social consequences of this fact and the implications for the future of Africa, difficult as it may be to conceptualize, must not be underestimated.

What this means, therefore, is that some Third World countries, by applying IMF adjustment measures have some prospects for becoming the so-called «newly industrializing» countries, although very few are likely to evolve along these lines. The second group of countries are likely to be characterized by declining levels of domestic capital accumulation, distorted and disarticulated domestic production structures, greatly increased dependence on external sources for food, and overall slowing down of the pace of economic activity, marginalization of growing portions of the labour force, drastic reduction in the production of public goods and services and, in sum, general economic backwardness. For the third category of countries, the prospects are for a rapid slide into economic decay and their emergence as the backwaters of international capitalist economy.

(2) Second Alternative: The Collective Bargaining Approach

Given the different prospects being faced by Third World countries, the insistence of the IMF on bilateral negotiations and the acceptance of this by some Third World countries become easily understandable. Further, this is the main reason for the revealed fragility of the collective approach by the Third World, as pointed out earlier.

On the face of it, the collective approach seems both obvious and promising for the Third World countries: First, it would seem to be the logical way for resolving the contradiction between the advanced countries needs for the markets in the Third World and the persistent resource transfers from the Third World which hamper the development and sustenance of these markets. A successful collective stance by the Third World, at the very least, will significantly reduce surplus transfers and would also give the impression of a determination by Third World countries to transform the existing patterns of international division of labour.

This contradiction (i.e. between resource transfers from the Third World and the need to develop these same markets) is however inherent in the very nature of the international capitalist system. It cannot be resolved by mechanical and logical means but only by a dialectic process which will take the form of a new class that questions and alters the very essence of international capitalist relations. By giving the impression of trying to fundamentally restructure the international division of labour through negotiations, the elites of the Third World lend credence to the naive assumption that changes of this nature can ever be brought about through dialogue, appeals to reason, the best and long-term interests of the developed countries and their good-will.

In our view, the collective bargaining approach should, however, not be dismissed out of hand for it makes it possible to expose the inherent irrationality of the international capitalist system, its short-sighted and egotistical nature, and the absence of any «idealistic» values in the behaviour of the centre towards the periphery of the system. Further, there is some likelihood that Third World leaders, as a result of their experience in collective bargaining would begin to see beyond the marginal issues that differentiate them and start focussing on the essential similarities in their relations with the advanced countries. At a minimum, this could provide the basis for south-south collaboration and solidarity which is a prerequisite for the adoption of the third alternative.

(3) Third Alternative: Controlled De-linking from the World Capitalist System

It would be pretentious on our part as social scientists to provide a blue-print for the third alternative, for this strategy can only come into place over a long period of time, with many forward and backward movements. At the national level, the pace and the forms of this strategy would vary considerably and would depend on the degree of the democratization of the economic and political processes of the different countries. Finally, it would depend on the changing composition of the group of Third World countries that serve as the vanguard of the Third World movement.

What could be said at this stage about the third alternative are its political and economic prerequisites. Fundamentally, the problem is political and could only be solved through political struggle. To wage this struggle successfully, requires a new model of society. The main feature of this model should be the establishment of a correspondence between the pattern of domestic production and the needs of the vast majority of the people. The political rallying calls, at the international level, must inevitably articulate themselves around:

- 1) the necessity to ensure the retention of the totality of the surplus being generated within the domestic economy for the purpose of internal, social and economic transformations, and,
- 2) the **unhindered and unfettered** right to develop and design **alternative economic and political models** that respond to the needs and aspirations of the vast majority of our peoples.

A corollary of this, at the national level, is the radical redistribution of political and economic power to guarantee that national wealth is channelled to those that are primarily responsible for the production of this wealth in the first place. This would ensure that the producers of wealth are also in a position to determine their own political and economic destiny.

This alternative is certainly ambitious and far-reaching. Its achievement is by no means guaranteed, as any effort to strive towards it would unleash ferocious opposition from vested national and international interest. Only determined and sustained efforts supported by a solid national consensus can facilitate its pursuit, failing which, there is very little hope for the African peoples.

THE ZARIA DECLARATION OF AFRICAN SOCIAL SCIENTISTS ON THE ADJUSTMENT OF THE AFRICAN ECONOMIES TO THE WORLD ECONOMIC CRISIS

I. – PREFACE

This Declaration is the consensus of social scientists from several African countries meeting at Ahmadu Bello University, Zaria, Nigeria. The meeting was also attended by three Latin American social scientists. The conference was jointly organized by the Centre for Social and Economic Research of that institution and the Council for the Development of Economic and Social Research in Africa (CODESRIA) on *«The Adjustment of African Economies to the World Economic Crisis»*. The conference took place between the 11th and the 16th of March, 1985.

The conference was called as a result of the anxiety of the social science community in Africa in respect of the current social and economic crisis in Africa and the analysis of this crisis both by some national policy-makers and the international communities. The social science community felt that the policy prescriptions resulting from this analysis, (often made in secrecy and without any significant input by the social science community and those directly engaged in production who are most severely affected), are more likely to compound these social and economic crises rather than alleviate them in the short, medium and long-runs.

The errors made in such analysis derive from the conceptualization of the crisis and its root causes and, therefore, of the measures necessary for arresting and reversing the present stagnation and regression of african economies.

Further, such analysis is deficient in terms of historical as well as comparative perspectives.

It was to these pressing issues that the conference addressed itself, in the hope of assisting: (a) policy-makers committed to genuine social and economic transformation and development of the African continent, (b) the social science community in their efforts to understand the nature of the crisis, (c) the African population in their efforts to establish egalitarian, self-reliant and self-determined societies.

II. – THE NATURE OF THE CRISIS

Orthodox social scientists as well as international institutions such as the International Monetary Fund and the World Bank, tend to perceive the crisis as one of declining growth of GNP, balance of payments difficulties, large and persistent budgetary deficits, high rates of inflation, over-valued currencies, severe foreign debt problems and so on.

In our view, these are merely the manifestations of more severe problems relating to dependence, exploitation and underdevelopment, which inevitably lead to: rural stagnation and decay as a long-term process; decreasing food production and greater dependence on food imports; massive migration to the urban areas; growth in unemployment and underemployment; declining and distorted manufacturing sectors; hyper-expansion of the service and tertiary sectors; regressive and worsening income

distribution; decline in production and productivity in relation to sectors destined to the domestic market for mass consumption goods; economic fragility and dependence (technological, financial, managerial, marketing etc...) on external sectors. All these have become accentuated in recent years. As part of this complex process there has been at the same time, an increase in the size and in the political and economic influence of social groups and ruling elites which are not directly productive and gain their wealth through exploitation, speculation and the misuse of the national coffers.

The logical corollary of this has been an increase in state and institutional repression to ensure that this process, which benefits only a small fraction of the population, continues.

III. — CAUSES OF THE CRISIS

According to the IMF, the World Bank and some social scientists, the major cause of this situation is essentially excessive governmental interference in the economy and the diminution of the role of market forces.

Other explanations propounded by this school of thought include: lack of discipline in budgetary matters; excessive domestic consumption due to high real wages and low productivity; investment policies that give undue priority to import-substitution industrialization and prestige projects to the neglect of traditional exports in which these countries are said to have «comparative advantage»; the abandonment of export-led growth as a development strategy; foreign trade and payments restrictions which discourage direct foreign private investments; price «distortions» due to excessive subsidies for mass consumer items; low domestic interest rates and easy credit availability leading to the expansion of domestic money supply and thus inflationary pressures.

Such explanations are usually supported by «statistics» and «examples», thus often making them look «genuine and scientific» even to the progressive policy-maker or social scientist.

A correct diagnosis, however, has to transcend these static appearances and manifestations and base itself on concrete historical analysis. The starting point, in our view, is the colonial heritage which imposed a particular pattern of international division of labour. In the colonies, this division of labour manifested itself in the divorce between the structure of domestic production and that of domestic consumption, with the determinants of growth, therefore, being located in the advanced industrialized countries and resulting in massive transfers of real value outside the African continent. The fact that this pattern of international division of labour led Third World countries, generally speaking, to greater dependence and underdevelopment, is a well-documented and known phenomenon. Furthermore, there was, particularly in Africa, the emergence of a small social group with substantial economic and political powers at the national level, with consumption patterns turned to external markets, with strong economic and ideological affinities to dominant social groups in the metropolitan countries both for political survival as well as for opportunities open to it to amass wealth.

These economic patterns and the nature of economic and political relationships were called into question, since the late fifties and early sixties, by some social scientists and the national liberation movements. Additionally, and even before independence, these relationships were being jeopardized by the growth of progressive forces at the world level (for example, the emergence of the socialist block) and the rising political consciousness in several countries.

To preempt this trend from becoming radicalized, limited political and economic concessions were granted to the former colonies. New political forms were also devised to disguise and perpetuate the colonial relationships through such mechanisms as the Yaounde and Lome Conventions, etc...

In this context, the process of the privatization of the state (meaning the state becoming the major instrument for private accumulation) took on an added significance, in the absence of a developed national bourgeoisie in most African countries.

By the late sixties, accentuated domestic contradictions linked to trends in the development of international progressive forces, political mobilization of workers and peasants due to limited expansion of economic activities, as well as technological transformation in the advanced capitalist countries leading to a fall in the demand for the traditional exports of the African countries, started threatening both the economic and political interests of newly emerging domestic ruling groups. It is important to correctly situate the beginning of the crisis in Africa. It was already evident in the mid to the late sixties with the drastic drop in the prices of most commodities (cocoa in 1965, tea during the decade of the sixties, coffee in 1966, rubber in 1967, bauxite in 1960–1965, etc...) and it is erroneous to attribute the crisis to the so-called successive oil price shocks of 1973 and 1979 as most conventional literature does.

The interests of the ruling elites were threatened both from above and from below. Fundamentally, the problem was, and still remains, how to maintain political stability in the face of economic stagnation and decline, sharpened internal social contradictions and increasing pressures for social, economic and political reforms. The coups and counter-coups that have characterized Africa beginning in the mid-sixties (e.g. East and West Africa) are a demonstration of the relative successes of the ruling groups in containing these pressures. Invariably these events have been accompanied by more repressive measures.

An alternative to this process and the repressive measures that normally accompany this, is moderate structural changes as have been attempted by some countries. This normally arouses vested national and international interests which immediately leads to processes such as capital flight out of the particular African country, deterioration in credit rating, the hardening of IMF bargaining stance, all of which lead to the worsening of the balance of payments position.

In sum, the causes of the crisis are structural and not due to temporary, transient phenomena or mal-administration though the latter is, of course, an important element in the crisis. By mal-administration we mean in particular, the allocation of resources to non-productive sectors, the urban bias of policies, reckless deficit financing, mis-management, inefficiency and corruption and the reckless pursuit of foreign borrowing. These are certainly not conducive to genuine independent development.

What is at stake is the very survival of the state in Africa, the legitimacy of the existing regimes and the perpetuation of imperial rule. Sub-regional and regional approaches to patch up the prevailing structures have so far proved inadequate as a result of the very factors that caused the crisis.

IV. — ADJUSTMENT MECHANISMS BEING PROPOSED

The adjustment measures generally proposed by the IMF are remarkable by their uniformity despite disclaimers to the contrary, and irrespective of the peculiarities of the situation. They consist of:

- Devaluation,
- Cuts in public expenditure,
- Privatization,
- Liberalization of external trade and payments,
- Contraction in domestic money supply through contraction of credit, especially to the public sector and certain factions of private enterprise,
- Policies designed to expand traditional exports,
- Wage restraints and the elimination of subsidies on mass consumption goods.

These measures follow logically from an analysis of the crisis which, as we have argued above, is incorrect.

Not surprisingly, therefore, these measures hardly ever work: Drastic cuts in public expenditure lead to marginal improvements in external balances. Lowering aggregate demand leads to general depression of economic activity, which in turn, leads to a fall in government revenue and thus compounds government deficits. Devaluation seldom results in an export boom or rise in export revenue due to over-supply and a contracting of demand for the traditional exports of African countries. The high levels of imports remain sustained due to the inelasticity of imports to price-changes as a result of structural dependence of domestic production on imported inputs. Liberalization leads to worsening balance of payments problems linked to net export of capital. Privatization leads to *de-facto* monopolies by subsidiaries of Transnational Corporations, loss of control, inefficiency, further producing stagnation in production and productivity as well as inflationary pressures. All these are in addition to an aggravation of the foreign debt problems which these measures normally lead to: overall decline in economic activity, and failure of positive net transfer of resources to take place. Increasing public discontent leads to conflicts amongst different factions of the ruling elite. Furthermore popular discontent and

pressures against the austerity measures lead to greater reliance on overt use of state powers against organized labour, students, the press, the unemployed and the peasants. It is not surprising, therefore, that IMF austerity measures threaten the development of state structures, undermine the legitimacy of regimes, and further deepen endemic instability.

Acceptance of the adjustment measures as a precondition for granting so-called debt relief basically does no more than mortgage future production, limit domestic capital accumulation and the possibility of the emergence of an independent, self-reliant national economy. This means that the ability of the state to respond democratically to popular pressures is reduced to a minimum thus obliging the resort to more and more repressive measures.

V. — WHY ARE THE RULING ELITES PURSUING THE ADJUSTMENT POLICIES?

Despite the contention that these policies are necessary for stimulating a healthier and more balanced process of economic growth, the inescapable results have been to perpetuate stagnation at lower levels of economic activities, decapitalization of sectors geared to meeting domestic demand, unfair competitive edge given to transnational manufacturing and mining establishments geared to exports; in short, this is a masked attempt to perpetuate dependence and to introduce sophisticated mechanisms of external control and thereby increase the vulnerability of the ruling elites.

Even where no formal agreements have been signed with the IMF, some African governments have tried to implement IMF types of austerity measures. In some cases, this may be due to a belief on the part of the governments that there are no alternatives.

In other cases, there is a coincidence of interest between international finance capital and the dominant social groups in the African countries, especially the petty and comprador bourgeoisies. Even with states which would like to pursue alternative strategies, they often lack the popular base and the political legitimacy to oppose the adjustment measures being proposed by the IMF and the World Bank.

In short, the alternatives open to the African states are either to face the risk of popular disturbances such as the so-called «food riots» or to go beyond their own narrow interests, by more fully identifying themselves with popular and progressive forces, and relying on these forces to protect them against national and international vested interests.

VI. — ATTEMPTS AT FORGING NATIONAL CONSENSUS

Confronted with these options, their own vested interests and the IMF conditionalities, the national elites have tried to rally the public around their policies. They have tried to do so by presenting the argument that the economic crisis is caused by either, or a combination, of the following:

- a) natural disasters (drought, desertification, etc...);
- b) some vague, impersonal thing called «the global economic crisis» that everybody suffers from and for which nobody can be held responsible;
- c) sins of omissions and commissions in the past usually ascribed to previous regimes;
- d) fundamental flaws ascribed to the national ethos and culture of the people which are not conducive to development such as engaging in «conspicuous consumption» rather than hard work, savings and national accumulation. At times the people are blamed for «indiscipline» with respect to work, and their supposed expectation that development would fall as manna from the heavens, etc...

Such explanations therefore permit the governing groups to call for: belt-tightening on the part of all concerned, especially workers and peasants; lowering of the standard of living; greater work discipline; greater respect for an acceptance of authority, and a diffused and generalized call for support of the state and the political regime of the moment. In short, this translates into a demand for solidarity on the part of unionized labour and the peasantry around the programmes of the national elites coupled with a regressive movement into political passivity that reverses all the achievements of the national liberation struggles.

Such a national consensus is hard to sustain even in the short-run because the gains are wholly one-sided (i.e. for the national elites) as are the sacrifices, — emanating, as they do, mainly from the lower strata of society. The latter group constituting the majority are precisely those who have nothing to gain from such a national consensus, but whose cooperation for its success is indispensable.

There are different methods of implementing IMF adjustment programmes: some take the form of explicit agreements with the IMF and explicit performance tests, while others take the form of apparently autonomous decisions to implement austerity measures which in fact contain most, if not all, of the standard IMF adjustment measures.

Further, there are variations among countries in terms of their acceptance or rejection of specific IMF policies such as formal and open devaluation, privatization, etc... These apparent deviations from IMF measures often camouflage *de-facto* and subtle ways of complying with them such as gradual and incremental devaluations, multiple exchange rates, transformation of public enterprises into enterprises which respond exclusively to market signals and, therefore, function effectively as private firms. Furthermore, these apparent rejections of certain IMF policies are a reflection of internal contradictions amongst the ruling groups, estimates as to whether the measures will be difficult to sell to the public, and the variations in the modalities by which specific national elites can gain from a specific situation. Since IMF policies are usually negotiated on a continuing basis, these apparent deviations are tolerated because they could either be reversed at subsequent stages of the negotiations and, more importantly, because they do not threaten the logic of capital accumulation on a world scale.

VII. — ALTERNATIVES

There are three alternatives open to African governments. These are:

- 1) Continuation along present lines of bilateral accommodations with the IMF;
- 2) A shift to multilateral negotiations with the IMF in order to improve the IMF conditionalities, and
- 3) A radical break with the IMF and World Bank entailing a commitment to a fundamental transformation of the existing international division of labour and the genuine search for alternative models of development based on sub-regional, regional and south-south solidarity.

In public fora, attention has thus far been focused exclusively on the first two alternatives. For reasons to be developed shortly, it is our view that the first alternative can only result in nightmarish conditions. The second is likely to lead to short-term and transient gains, and should best be seen as a transitional strategy to the third alternative. Only the third alternative provides any hope for the survival of the African peoples.

(1) First Alternative: Derived Dependent Development through Bilateral Negotiations

The first alternative does not hold the promise of maintaining even the present levels of economic activities in most African countries. The reason for this is that the advanced capitalist countries, because of the current model of accumulation, and input requirements as a result of rapid technological change in industrial production, are less and less interested in Third World countries, as a whole, as sources of raw materials. What they are interested in, are specific raw materials located in a few selected Third World countries and in a disciplined and cheap labour force in other Third World areas for the production of intermediate (and the assembly of final) goods primarily for the markets of the advanced industrialized countries. This does not mean, however, that the markets of some Third World countries including those in Africa are irrelevant to international capital.

In this scheme of things, there are three categories of *Third World countries* though, of course, some countries may well combine especially the first two roles:

- those whose role is to supply cheap labour for relocated manufacturing establishments producing intermediate goods and components as well as the assembly of final goods, in decentralized production units. Here, the social role of the state in ensuring a disciplined and cheap labour force is primary;
- Second, those countries to be integrated into the World Capitalist System through the supply of selected mineral resources and cheap energy for the initial transformation and processing of these minerals. This corresponds to the strategy of redeployment and

- relocation of high energy consuming, high pollution and low retained value industries which have proved unprofitable in the centre. Here the economic role of the state as the provider of infrastructure and a guarantor of the debt of the private sector, both foreign and local, is of greater significance, and ;
- the third category of countries are the «new reserves». Their importance to the advanced countries is becoming less and less either as sources of raw materials, of labour, of the transfer of surplus or as markets.

While not denying the importance of certain African countries as sources for the supplies of specific strategic minerals to the world economy and granting that the «importance» of a country may also be determined by geo-political and military considerations, it is our opinion that a significant number of African countries are condemned to becoming the new international «reserves» and therefore belong to this third category. The gravity of the political, economic and social consequences of this fact and the implications for the future of Africa, difficult as it may be to conceptualize, must not be underestimated.

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CONTENTS/SOMMAIRE

C. Atta-Mills: Editorial Note

W. Wagacha: Adjustment under crisis

Conditions in Africa: African Monetary Fund Concept

Makhtar Diouf: Les fondements théoriques des Politiques d'ajustement du FMI dans les pays sous-développés.

Ajit Singh: The continuing crisis of the Tanzania economy: the political economy of alternative policy options.

Horace Campbell: The budget and the people.

Habib El Malki: Crise économique et financière — austérité & FMI: le cas du Maroc.

Najib Akesbi: Programme d'ajustement structurel du FMI.

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The IMF & World Bank conditionality: Tanzania case

— «The Zaria Declaration»

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