

STATE CAPITALISM : THE ROLE OF PARASTATALS IN ZAMBIA

By

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«The reforms have created a form of State capitalism where tremendous power is thus concentrated in the hands of a small managerial group who have their hands on the important switches and whose elitist attitudes set social patterns far beyond their immediate realm of command»

President Kaunda: Humanism in Zambia (Part Two) 1974.

State Capitalism in underdeveloped countries is a rather different state form to that experienced elsewhere. Its main distinguishing characteristics are the concentration of political power in the state, the predominance of the state sector in the economy, the persistence of profits as the principal economic criterion in a class divided society in which the national bourgeoisie is still underdeveloped. It should be noted that this characterisation includes ownership relations, market relations and political power relations each being an essential aspect of the system.

The characterisation is not meant to have universal application and there are indeed many variations of State Capitalism in the Third World. But there are enough similarities, especially on the African continent, to justify this rough and ready model. What makes characterisation more difficult is that none of the relevant states are stable nor are their particular state forms likely to persist for a long time. The characterisation therefore relates to a system in transition and which is unable to sustain itself but which nevertheless constitutes an important phase in history both for the states concerned and for the world as a whole. We need to emphasise however, the importance of taking a dynamic view of these systems in their considerable variety taking full account of their evolution and development in our present epoch.

The term State Capitalism has not received wide currency in social theory though it has been used by some important writers. There are signs however that there is a growing recognition that Third World State systems need a new concept beyond that of Neo-Colonialism and Post Colonial State to explain some of the contradictions emerging on a world scale.

The term has, however, been fairly widely used in Zambia (Kaunda, Fortman, Martin, Johns) and this is obviously due to the existence of a large public sector in the economy and the concentrated political power structure in a country where capitalist forces and relations remain dominant.

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Important multi-national corporations like Anglo-American Corporation, and private banks like Barclays, Standard and more recently Citycorp International, operate freely though within a framework of a «mixed economy» which is complex in structure and hard to pin down. The definition of the structure and the isolation of its determining elements analytically is made more difficult by the constant emphasis on the pursuit of anti-capitalist policies and non-capitalist goals and the considerable socialist rhetoric which gains some credibility because of the obvious and large state presence in politics and economics.

The Zambian state is undoubtedly a dependent state and as its position becomes more critical due to geo-political and international market pressures so its sensitivity to world forces becomes more obvious as does its vulnerability to the dictates of the World Bank, International Monetary Fund and the like. The focus of this paper however is on the internal arrangements since the specificity of the system lies there.

The Zambian state is highly interventionist which does not mean that its activities are socialist in nature nor that they are in the interests of the people as a whole. To bring out the effects of this interventionism it is necessary to go beyond more institutional considerations which is unfortunately the more common focus of conventional political science. What the state does must be seen as a dynamic component of the system as a whole, having important effects on the mode of production and on the production and reproduction of classes and class struggle

Curiously enough, state intervention in Zambia did not arouse much alarm in the early years of Independence. This was because some of the measures were situated within the institutions established under colonialism, but also because so much needed to be done in a country so sorely neglected under colonial rule. The state was the natural, indeed largely the only, possible agency.

But even the rather more drastic economic reforms of later years, in the late sixties, when the state took a very big bite out of private sectoral business, were accepted by liberal economists and capitalist readers as valid, in the belief that this was some kind of rationalisation of the economy which was justified in the special conditions of African decolonisation. There were indeed high hopes that Zambia's model of mixed economy could be both socially just, and, efficient.

Writing in 1969, Fortman said,

«Zambia believes in controlled private enterprise . . . Government wants private business to develop the Zambian economy - allowance being made for fair profits - but not to exploit it».

Fortman 1969, 104

Fortman felt that if reasonable profits were allowed, and excessive red tape was avoided, Zambia's model of State Capitalism could well

succeed. He was writing, of course, at a time of boom due to sustained high copper prices and a surging economic performance.

State intervention has grown steadily however, and precisely because private enterprise did not fulfil the role expected of it as will be elaborated later. In fact the state sector has become predominant not because of an ideological predilection on the part of Zambia's rulers but seemingly as a pragmatic response to the behaviour of private capital. This is also why Zambia's economy remains «mixed» and the performance of the public sector uncertain.

Pragmatism in the economy has been matched by similar considerations in the politics of the state system. Although the outgoing colonial power tried to install a British type political system at the time of Independence, including the party system, the Zambian state, like that in the rest of Black Africa, has become increasingly monolithic and concentrated over the years. Africa is a veritable graveyard of multiparty Parliamentary politics. The Zambian state and its ruling party have developed considerable muscle: it is no mere theoretical construct, nor a mere «relation» but has a concrete reality at every level.

Nor does the Zambian state bother to disguise its massive interventions in politics and economics by a web of apparatuses, ideological and others, as is the case in the advanced capitalist states. (Althusser 1971). Official ideology does not minimize the central role of the Party and its Government (using official terminology), even when it seeks legitimation. Thus there is One Party Participatory Democracy based on UNIP. However, notwithstanding the importance attributed to the Party and the existence of a large and separate organization spread throughout the country, political power is exercised through the President as Head of State and through the state apparatuses and this is widely recognised and accepted.

This is not to say that UNIP is coterminous with the state, indeed there are many contradictions in the way the state responds to the policies of UNIP obviously expressing a different complex of interests. These assert themselves through the state apparatuses, especially in the economy, despite a degree of supervision by the Party through the Central committee and its regional structures.

Because the state system in all its aspects is relatively new and still developing, it is difficult to categorise the forces and interests within the state complex. It is not always clear which interests are most served by the complex and a simple reductionism to a comprador model doesn't really get us off the hook. Whatever degree of comprador relations actually obtain there are nevertheless internal interests and forces at work and these have to be identified and specified.

Miliband has argued with great force that Marx and Engels «never departed from the view that in capitalist society the state was above all the coercive instrument of the ruling class, itself defined in terms of its ownership and control of the means of production. (Miliband 1973 : 7).

He also quotes Marx to support the notion that the state is a machine and an instrument of the ruling class. But he also argues that the state does not act at the *behest* of but on *behalf* of the ruling class. (Ibid p 23) He takes more or less for granted that the ruling class is clearly visible.

But in a more recent book, *Marxism and Politics*, Miliband offers a different view for the state in Third World countries. (Miliband 1977 : 106–8). Here is found an «extreme inflation» of executive power in the state due to the absence or weakness of social forces which might limit or control the power of the state. The dominant classes and groups find it advantageous to have a strong and repressive state to act on their behalf.

He goes on to argue that the local entrepreneurs and traders cannot seriously be said to constitute an economically dominant class. Nor can the foreign interests be so designated, thereby parting company with dependency theory. He says that «the state must be taken mainly to «represent» itself, in the sense that those people who occupy the leading positions in the state system will use their power, inter alia, to advance their own economic interests». And, «The state is here the source of economic power as well as an instrument of it.....»

In sum, for Miliband, in some Third World states, political power provides the basis for the formation of an economically powerful, and later dominant class.

In another essay I have suggested that in the Zambian case those who wield executive power in the state advance their economic interests within the state apparatuses but also outside it. That is they seek to build an additional base in the private sector. (Turok 1979).

This point illustrates the difficulty of determining the nature and mode of organization of the ruling class in a State Capitalist system like that of Zambia. And, the fact of concentration of power and authority at the centre of the system makes this task no easier. Yet, the delineation of the parameters of the ruling class remains a vital task.

It should be said, en passant, that the centralisation of power in the state is not, in principle, problematic. There is every reason to believe that underdeveloped countries have no hope of making progress without substantial state intervention and centralised direction of resources. What is problematic, however, is *who benefits?* This point is stressed here, because it is missed in the discussion on the «overdeveloped» post-colonial state. The «over development» is only significant in so far as it places power in the hands of privileged and exploiting classes, it has no other explanatory value.

The Conditions of State Intervention in Zambia

As the performance of Black African states fails to satisfy the needs of the masses it becomes more common for writers to pour scorn on the whole independence saga. In the case of Zambia, whatever judge-

ment one makes about the real effectiveness of the Party in the independence struggle, there can be no doubt about its having raised great expectations among the mass of the people.

The capacity to satisfy these expectations were however limited by the fact that Independence was gained by a populist party without a clear ideology or economic programme. As a result, the first years of Independence were marked by a sense of pressing along the well-worn path of a typical export oriented mono-economy with its base in copper and with colonial institutions to match. While some important steps were taken to fill various gaps in the economy (arising partly from the breakup of Federation, the major interventions by the state came later when the government realised the full effect of the exploitation of Zambia's resources by foreign interests, especially the vast leakages of capital abroad.

Responding in pragmatic manner, corrective measures were taken piecemeal and hesitantly. This was partly due to the reformist outlook of the party leadership, but it was also a reflection of the substantial non-correspondence between the political powers of the government and the inherited economic structures where power was vested in foreign and settler hands. The government was also affected by a feeling that it did not have to hand the management and other skills to run the economy. Even where the levers of authority were directly in state hands, as in the case of the formerly Northern Rhodesian state owned companies and public corporations, the changes in the first post Independence years were made gradually. In the private sector, state intervention and participation was negotiated over some years as has been fully documented elsewhere. (Ndulo, Simwinga, Johns etc.)

It is not surprising, therefore, that the economic reforms were carried out within the existing capitalist framework. As President Kaunda stated in *Humanism* (part two) there developed a new class structure located within the value system and «the economy's capitalistic nature remained unchanged» with the profit motive still the overriding regulative principle. (Kaunda 1974 : 109). It seems that the economic reforms of 1968 and after achieved no more than a major *adjustment* in the ownership of the means of production so that the state became a prominent participant in the existing capitalist relations of production. Indeed it may be that the mode of state intervention (which will be described later) actually undermined whatever socialist aspirations were present within UNIP and made the state a captive within the capitalist system. As President Kaunda points out in *Humanism* (part two), «the state's acquisition of control remained largely limited to the formal aspect of State control. The economy's capitalistic nature remained unchanged..» (Kaunda 1974 : 110).

However this paper seeks to show that the effects of state intervention in Zambia were substantial and that they led to very real contradictions between the Zambian state and foreign interests and that there is a specific shape to Zambia's State Capitalism as a system.

State Capitalism in Zambia can be said to derive from three principal factors: it is a «national» response to foreign exploitation at the hands of locally based branches of multinational corporations, it is due to the weakness (almost absence) of a national bourgeoisie, and it is the result of persisting pressure from organised labour, the peasantry and the masses generally for the fruits of Independence, Realising that the formal political rights established in the Independence constitution also add up to a degree of political power, these popular forces have pressed for the greater utilization of state powers to extend public control over the economy, especially its foreign owned sector. For the first decade, at any rate, government attacks on expatriate and settler interests were undoubtedly popular and seen as a continuation of the anti-colonial struggle in a new form.

But the absence of concentrated and developed class forces rooted within the Zambian people and the vagueness of the policies of the post-independence government meant that State Capitalism was installed incrementally. Despite the installation of an entirely new administration there remained significant continuities from the past which hung on tenaciously.

Ann Seidman holds that little was done to «alter the fundamental institutions and class relationships which emerged during colonial rule». (Seidman 1977: 415). And this view is endorsed by Tordoff, (Tordoff 1974: 8).

However, despite continuities, the present system of State Capitalism does represent a distinct departure from the previous system. The contradictions with foreign capital are significant, and the present state cannot be conceived, as was possible formerly, as the outright agent or instrument of an economic class located abroad.

My case rests mainly on the nature and scope of the parastatal structure in Zambia which require new theoretical formulations beyond those of neo-colonialism and dependency, though this essay cannot go further in that direction. All I can do is to focus on the parastatals as the locus for a definition of the system.

Working from a dependency perspective, Shaw has nevertheless come to the same view. He argues that the relationship between an African ruling class and the multi-national corporations usually occurs within parastatal institutions. (Shaw 1976:3). The state sector largely consists of collaboration agreements between the interests of the state and of foreign capital. «The ruling class in Africa has formal charge over the national economy but lacks effective control because of joint ownership of the major means of production». The state has achieved only the Africanisation of management but not real ownership or effective control and this collaboration is fully compatible with the emergence of State Capitalism as a dominant ethos.

He goes on to argue that the dominance of foreign interests manifested through the parastatals has important consequences for the petty bourgeoisie.

«The dominance of the parastatal sector has retarded the development of a petite-bourgeoisie in Zambia. Although the Africanisation of the retail trade, transport and services has been advanced through legal instruments and party actions, these sectors are dominated by parastatal supermarkets, transport companies and service industries. Moreover, most successful private Zambian companies are either foreign, white, or highly dependent on contracts with parastatals. State Capitalism in Zambia has, therefore, largely prevented the rise of Zambian entrepreneurs outside the parastatal structure. It has however, reinforced the trend towards concentration and monopoly of decision-making in the regime». (Shaw 1976 : 8)

Support for most of Shaw's points lies in the November 1970 measures which were designed to curb the emergence of large local capitalists by threatening state take-overs, measures to control prices and enforce minimum wages, and steep taxes for high incomes plus taxes on luxuries. It has been shown however that many of these measures were not implemented. No Zambian owned company has been nationalised (apart from Mwaiseni Stroes in 1969). (Tordoff 1974 : 391) The evidence seems to point to substantial constraints in the path of the commercial bourgeoisie which are economic rather than political. Their problems lies in the shortage of capital and know-how, in the monopolies exercised by the parastatals and in the priority given to parastatals in licencing, foreign exchange allocations and infrastructural services.

Where I part company with Shaw is in the degree of dominance he allocates to foreign interests. While it is common cause and widely acknowledged that the multi-national corporations prevent the ruling class in Africa from consolidating control of the parastatals, there is nevertheless a substantial difference between the status quo ante and post of nationalisation. In the former case multinational control is complete and this condition is closer to the stage generally called neo-colonialism. In the latter multi-national power is indirect and limited, partly by the formal powers taken by the state, and partly by the socio-political aspirations and imperatives of the local ruling group. These issues have been worked out in a fresh and challenging way by James Petras. His central argument is that «...an internal ruling class with its own apparatus has emerged to dominate rather than mediate the process of exploitation and accumulation». (Petras 1979 : 14) He therefore agrees with the conception of Miliband quoted earlier.

Petras adds, «At one and the same time it (state capitalism) opposes imperialist property interests and attempts to discipline the labour force. The national-state capitalist class directs and controls the process of capital accumulation but at the expense of the labour force-concentrating capital in its own hands. The state-capitalist regime attempts to

redefine the terms of dependency and to contain labour demands to favour nationalist capitalist accumulation». (Ibid p 12)

However the enterprise is doomed to failure because of the pressures of the grip of the international market and the new ruling class is forced to re-enter into the world capitalist system.

The essential point in this scenario is that the new state strives to use its political powers against imperial and multinational interests and that a new stage, which is admittedly transnational only, is reached as a result of confrontation in what becomes the parastatal sector.

The key to an understanding of Zambia's system of State Capitalism therefore lies in the parastatals. Unfortunately while a substantial body of literature already exists on the parastatals much of this is purely descriptive and although the term State Capitalism has been used by several writers this characterisation has been based on the sheer scale of state interests rather than on considerations of the system as a whole.

What follows begins with an outline of factual material on the structure of parastatalism in Zambia which is based on several papers by Sheridan Johns, work by Simwinga, Young, Sklar and others. I shall then attempt to integrate this material with some of the propositions on State Capitalism made earlier.

Parastatals have been defined in a number of ways in Zambia. The most useful seems to have been that

«A parastatal organization is not an integral part of the Government but an institution, organization or agency which is wholly or mainly financed or owned or controlled by the Government».

(Mwanakatwe Commission 1970 : 5) Three distinct types of parastatal bodies have been identified; the «commercial» type, e.g. the mines and other enterprises of the Zimco group; the «semi-commercial» type which provide a public service on a business basis, e.g. the railways; and the «non-commercial» type which perform normal public services and which are not expected to operate on business lines. (Ibid p 10-12). The latter two are often called statutory boards since they are the result of legislation and therefore need to be clearly differentiated from the «commercial» parastatals. It is the predominance of the latter in the economy as a whole which distinguishes the Zambian system from others. These companies are highly sensitive politically and they are most active in competing for control of production and of the market. Whereas there is a certain sense in which all parastatals provide services to the public, those of the non-commercial and semi-commercial variety are also least controversial since they follow the style and practices of similar bodies in most countries. The «commercial» parastatals, however, have been the focus of major struggles between the state and foreign interests. More recently the battle has been joined by local entrepreneurial interests as well though the state is still well in command.

The essential features of the «commercial» parastatals arise from the manner of acquisition. In most cases this has been by taking over of shares in whole or in part, but not by outright nationalisation. The state has not therefore been able to establish full control, direction, planning or discipline over them. A residual autonomy remains with the parastatals individually and as a corporate entity.

Most of the parastatals lie outside of the financial controls of government ministries. «Parastatal» literally means «quasi-government» and indicates that these organizations are not covered in the government budget and that the management is located outside the government bureaucracy.

Parastatals therefore fall somewhere between private and public enterprises. They are administered by a semi-autonomous Board of Directors, they may own and deal in private property, make contracts, retain and invest their surplus, borrow on the open market, and issue loans. They can therefore be said to be businesses in the conventional sense of the word as applied to capitalist forms. There are of course also differences largely in the nature of the political supervision and in pricing and subsidy policies of the government.

Zambia's economy was highly skewed at the time of Independence on the 24th October 1964 with the dominant mining enclave being supported by a fairly small industrial and service sector on the Copperbelt. The «modern» sector as a whole was not integrated with the rest of the economy in any productive way. (UNDP 1976 : 3) Instead, the mining industry and its surrounds were geared to the economies to the south which also treated Zambia as a labour reserve. Domestic production supplied less than one third of the local market for manufactured goods, while total manufacturing accounted for only 6 per cent of GDP.

However a number of state owned companies and public corporations were already in existence before Independence. These corporations were either creatures of the Northern Rhodesian territorial organizations or components of larger Federal organizations. With the break up of Federation they were either taken over by the new Zambian state or set up as partnerships with the other Federal states. But they were not to last in that form as the destinies of the three components drifted apart and later became overtly opposed to each other.

The inherited statutory bodies of Zambia included those which catered for the conservation of natural resources, the provision of credit for agriculture (mainly for European settlers), electricity supply, African housing, and the like. The state owned companies were in electricity, and there was also the semi-publicly owned Industrial Development Corporation, the latter being the main vehicle for government policy in industry for several years after independence.

As the process of establishing the new Zambian state continued, taking several years, additional institutions were set up such as the Bank of Zambia, Zambia Broadcasting Corporation, the Grain Marketing

Board, Dairy Produce Board, Cold Storage Board, and the Tobacco Marketing Board. Other companies like Central Africa Airways, the Agricultural Research Council, Rhodesian Railways and the Central African Power Corporation were shared with Rhodesia or Malawi, though this was not to last long.

Sheridan Johns says of this period that the Zambian government allowed new parastatals to emerge, «but it restricted its activities, for the most part, to the reorganization of existing structures or the implementation of previously declared policy». (Johns 1970 : 5) However he also points out that prior to Independence Anglo American Corporation, Roan Selection Trust, the British South African Company and the Commonwealth Development Corporation moved out of Indeco, leaving it as an entirely Zambian government corporation. As such it became the vehicle for large scale industries in steel, chemicals and textiles.

Johns records that «Through 1966 and 1967 it (Indeco) steadily expanded its scope as it made agreements with foreign investors, including Japanese, Italian, British, American and South African interests, for a fertilizer factory, an explosives factory, a tyre-factory, a sugar estate, a textile mill, cement works, hotels, and other smaller enterprises». Ibid, p 6.

In this way, Indeco grew rapidly being responsible for the management of its own minority interests in its associated companies, as well as for its wholly owned or majority owned enterprises and corporations.

In agriculture, apart from the marketing boards set up there was also the all important Credit Organization of Zambia, (COZ) established in 1967, and which was designed to supply credit for farmers based on an assessment of «ability to farm productively», a rather loose and over easy criterion. It also supplied loans for fishing, housing and commercial activities in the rural areas. COZ and its predecessors pumped large amount of money into rural areas, and by 1975 COZ «became a focus of attention for those jockeying for the monetary fruits of Independence. (Ibid p.3.) In the event, large amounts of money were never repaid nor was all of it used for the purpose it was intended, rural development. Much was squandered or spent on personal unproductive enrichment. Perhaps this was not so noticeable at the time since early post-independence Zambia enjoyed an abundance of public funds and spending was on a grand scale.

The developments in manufacturing were subsidised by fiscal means based on taxes from the copper mining companies. This was possible because of the obvious gaps in infrastructure which required filling from local resources once links with the South were restricted. Independence itself seemed to lift the sense of being a mere appendage to others and there was a surge of economic activity. The high price of copper fed this mood and many doubts about the smallness of the local market were often brushed aside. The state played a not insubstantial part in encouraging this trend.

The need to open up the economy was a major concern. The Seers report has shown that Zambia's resources were sufficiently diverse to support a wide range of manufacturing industries and the need to diversify was perfectly apparent. The First National Development Plan hoped to lead away from copper so that a greater proportion of domestic demand would be met from local production and employment could be generated outside the mines.

Young reports that Zambia was known to have a wide range of non-metallic minerals other than coal, e.g. lime deposits for cement, glass sand in sufficient quantity to supply Zambia's needs for a long time. (Young 1973 : 100)

A further and major impetus to diversification, and also national self-reliance, was the result of Rhodesia's Unilateral Declaration of Independence on 11th November 1965. The subsequent break in trading relations could, however, only be compensated for by the direct intervention of the state. This led to the creation of an independent Zambia Railways Board, the National Coal Board, the pipeline to Tanzania and later, Tazara.

The cost of disengagement was high for Zambia, but it created the opportunity for Zambia to seize hold of its own infrastructure and to reshape the parastatals to reflect the government's desire to exercise a greater control over the economy.

Government perspective were fixed on three main objectives : to diversify the economy away from copper, encourage rural development and build a substantial infrastructure. It was soon recognised, however, that none of these targets could be reached by relying on the existing private sector nor on the parastatals at that time.

Young has explained the reasons for greater government intervention.

«There were numerous reasons to doubt that the Zambian economy, if left to itself, would achieve an adequate rate and pattern of diversification. In particular, these reasons included the short-time horizons of expatriate investors and their inability to take proper account of inter-industry linkages, the institutionally distorted wage scale, the general absence of Zambian entrepreneurs, apart from the state itself, and the failure of the free market system to bring about a socially acceptable distribution of economic opportunity».....Young 1973 : 296

Other reasons have been set out by Simwinga (1977 : 106). But the clearest exposition is found in President Kaunda's speech on 16th April 1968 at Mulungushi and the accompanying notes in the published version. (Kaunda 1968)

President Kaunda stressed that «political independence without matching economic independence is meaningless». There had been excessive expatriation of profits made in the boom after independence.

As a result there was gross under-capitalisation, excessive local borrowing massive increase in foreign exchange expenditure on invisibles, transfer pricing and so on. The new reforms heralded in the Mulungushi speech were designed to direct available capital to development and to ensure that the Zambians «individually and corporately share in the commercial and industrial life of the country» (p.v). The proposed state participation in existing enterprises was the result of a lack of capital and skills by Zambians to be economically active on their own.».. only the Government of the people can participate on their behalf and ensure that the nation has control of the vital resources in the country, and also provides avenues for the acquisition of skills pertaining to economic development and participation». (p vi)

Participation is the correct term for the measures taken since the method chosen was to acquire shares and not nationalisation. The acquired derived control by means of Articles of Association leading to majority control of the boards of the companies concerned. (Simwinga, op cit) Even today when the government's shares are often 100% of major companies and when the parastatals have a legitimated and seemingly permanent existence, there are still no *statutory* provisions giving the government explicit control over non-statutory enterprises. Outright nationalisation is still not legally possible in Zambia.

The Mulungushi reforms of 1968 were nevertheless substantial by any standards. The Government bought out, to the extent of 51% twenty-four large private companies, including one Zambian owned firm. These were mostly firms which dominated production and distribution throughout the country.

Young holds that the reforms were of major significance. «The reforms signified that the authorities had overcome any lingering preference inherited from the Colonial era for private rather than public enterprise, and also that they were determined to ensure that where the interests of private export business and the interests of the Zambian economy diverged the latter would take precedence. Moreover, the new approach probably enables the Government to secure industrial development more cheaply than it could otherwise have done by relying on a policy of incentives alone». (Young 1973 : 206)

The reforms were certainly directed at large scale foreign enterprises and established state ownership at a high level outside the copper industry. Few Zambian owners were affected by the reforms, instead many might have hoped to gain from them, though the President warned Zambian entrepreneurs not to take advantage of the protection given them, «I do not want them to get rich at the expense of the nation».

While the Mulungushi reforms raised many eyebrows, it was the subsequent Matero reforms which raised the real hullabaloo. On August 11th 1969, the state acquired 51% controlling interest in the giant copper mining countries, which constituted the main pillar of the economy.

Prior to this the government had moved with much caution in respect of the mining companies since there were very powerful interests involved. There were also technical-administrative reasons too. The industry was manned and managed by Europeans at all higher levels and it was feared that radical state intervention would antagonise them irrevocably. There was also the danger that there might be an international reaction which Zambia, with its total dependence on the world copper market dominated by international capital, could ill afford. Hence the actual takeover of a controlling interest was negotiated with caution and with major concessions to the owners which are now deeply regretted by most Zambians. (This arrangement has been fully documented by Ndulo and others.)

Looking back on the reforms of the later 1960s one can see that they enabled substantial changes to be made in the economic and industrial structure of Zambia. Before 1968 industrial expansion was fuelled by private interests acting mainly in smaller scale and simpler industries. There was simply no capital available for larger industries, even if the desire to invest on a grand scale had been present. After 1968 it became possible for much larger capitalisation to take place leading to larger scale development. Zambia certainly needed a stepping up of industry, but there was also unfortunate aspects to the way industry was built. For reasons that are not quite clear, capital intensive rather than labour intensive plants were set up with in some cases disastrous results. The dependency of the economy on foreign inputs, raw materials, skills and management was increased greatly, and this kind of industry led to skewed development.

The result too, was that the parastatal system was established at a much higher level of organisation and power over the economy, leading the way to its present predominance in most industries. The state's power was thereby also enhanced though its effective power was still constrained by its dependence on foreign management and skills and all the other business linkages which were not severed with the capitalist world.

Although the state established its presence in this parastatal structure so that it was highly visible, with the President taking over the Chairman's role of ZIMCO, the super parastatal, it cannot be said that this presence was used to mobilise the resources of this complex from the bottom to the top. Although workers councils were established, and although UNIP expressed great interest in the new structures, the party's role seems to have been supervisory rather mobilisation in character. The term control has therefore to be used with caution, clearly distinguishing the legal-juridical aspects from more subtle indirect aspects which require rather more fundamental analysis.

One might mention in passing that although foreign interests and the international market constitute a strait-jacket for industry in Third World countries like Zambia, the state is not without mechanisms

of its own. In Zambia, private enterprise and interests have certainly been bound around with numerous controls which act as major constraints. There are licencing rules, foreign exchange allocations and numerous other rules and procedures to ensnare the private investor and businessman, especially of the foreign variety. The heyday of flagrant exploitation of Zambia's resources by foreign firms is over, and the extraction of surplus which goes on now is a much muted version of foreign exploitation.

The effect of the reforms was to boost indeco's assets sevenfold from 1965 to 1967. By 1971, Zimco had total assets of K 713 m of which the copper mines constituted 75 per cent. This can be compared to the state-controlled assets at Independence of K 231 m. Total state-controlled assets in 1971 were roughly K 1,009 m. By 1975, Zimco assets alone stood at K 1,468 m and total assets under Government control were almost K 2,000 m.

Writing in 1977 Simwinga estimated that Zimco ranked 123 rd in size among the 300 largest corporations in the world outside the USA and by far the largest in Black Africa. (Simwinga op cit p. 118)

The economy seemed to flourish during this period. Young has noted that «employment in manufacturing grew by 77% over the period 1964-9, output in money terms grew by 192% from 1964-9, or in real terms by 60% between 1965 and 1970; gross fixed capital formation grew by 472% between 1964-8». (Young, 1973, 214)

The image of a successful business operation exuded by the parastatal sector was accompanied by an entrepreneurial spirit and self-confidence on the part of management. The difference between conventional government departments and parastatals was notable. In the latter the practices and styles of private companies were emulated, high salaries were paid to attract the most qualified staff in addition to various incentives. The resulting pay differentials were naturally greater than in government departments leading to queries from the party and the unions.

Many parastatals retained close links with the previous owners, trading partners, consultants etc. With an ethos essentially that of private enterprise, the parastatals remained a focus of alternative capitalist ideology to that being espoused by the party.

However, the interventions of the state were on a scale that could no longer be dubbed «controlled private enterprise». If one includes the land reforms and other measures announced in the Watershed Speech on June 30th 1975 the reforms constituted a very large intervention indeed severely restricting the scope of private enterprise in Zambia. The state has established its predominance in the commanding heights of the economy and certainly not at the *behest* of private capital. To what extent these measures have served private interests, however, is not yet clear.

We should not, however, be blind to the welfare functions performed by parastatal bodies, especially the statutory variety. Johns has described the complex process of consolidation of parastatals begun in 1968 when statutory bodies were brought together into larger units covering entire fields of activity with the object of expanding production and retailing in both rural and urban areas not previously effectively catered for. He suggests that the government was genuinely concerned to make basic and nutritious foods available at reasonable prices through the Dairy Produce Board and other agencies. Similarly, the Cold Storage Board also entered the retail field in 1968 to provide competition to private butchers in the urban areas who had raised prices excessively. Also, in 1969 Namboard took over the wholesaling of vegetables and fruits and also started limited retail operations in several main urban centres to compete with private traders, a practice still continued now. (Johns 1975 : 221)

All these interventions might be subsumed under the general heading of state intervention at the level of welfare in order to meet the basic needs of the population, though one must qualify this by pointing to the heavy urban bias of much of this activity. The subsistence economy has not benefitted equally. On the face of it, it is this concern that the basic needs of the masses, especially in the urban areas should not become out of reach, that remains one of the redeeming features of the Zambian system. There can be no doubt that the state has intervened frequently to stave off unemployment, to peg prices of basic commodities and to ensure a measure of equity in distribution of commodities and this is taken as a sign of its «humanist» face.

This is not to say that the ruling groups in Zambia have developed a viable system. On the contrary, in another essay I have shown how the particular mix chosen in Zambia led to enormous problems in the economy once the copper price fell and the early euphoria and impetus of nationalisation was over. In the *Penalties of Zambia's Mixed Economy*, I have set out in more detail the problems created by having a high degree of centralisation but without central planning, a predominant public sector which cannot overcome the cottonwool effect of monopoly, the general running down of a system which fails to mobilise its labour ever greater productivity, and above all, the effects of failing to break out of the stranglehold of the international capitalist market. There is no point in repeating these arguments here however.

A CHARACTERISATION OF STATE CAPITALISM

We can now attempt to characterise the system of post-colonial state capitalism in Zambia. It is distinguished by:

1. state ownership of all major enterprises accounting for the greater part of total investment;

2. a largely unplanned, competitive commodity market governed by profit-making;
3. a class structure in which workers and peasants are in a subordinate position;
4. an emergent quasi-bourgeoisie which straddles the public and private sectors of the economy and, acting in varying forms of collaboration with foreign capital, penetrates the commanding heights of the economy and political system; and
5. the continuity and persistence of the system which is ensured by the mediation of state power.

It must be admitted, however, that this characterisation is somewhat tentative. State capitalism in the conditions of Africa is a transitional form leading, in most countries, to an indigenously formed capitalism. Earlier hopes that these countries might move to socialism have been largely confounded and it is now clear that the basis for these hopes was not substantial. They were often based on the rhetoric of the nationalist movements in the full flush of the independence struggle when they themselves were not fully conversant with the obstacles awaiting them. Their avowed anti-imperialism and anti-capitalist positions concealed a certain non-correspondence between the political power they won and the economic base in the post-colonial state.

In the event, despite a favourable international climate for anti-imperialist measures, and despite the power of socialism internationally, the economic measures they set in motion, such as nationalisations, generated an economic structure that is essentially capitalist in orientation. This was partly because the economically dominant stratum, brought into close contact with the politically dominant forces, undermined their socialist aspirations, and made them captive in a capitalist type system. The integration of private interests into the orbit of the state (as in parastatals) led to the undermining of the party's socialist objectives. This conception is the reverse of the common materialist conception of the state as the agent of an economic class. (Poulantzas 1973 : 326)

Despite nationalist and even socialist ideologies, state capitalism generates the formation of new classes and growing inequalities (1). The common usage of the term *Apamwamba* in Zambia is a clear reflection of this process, while similar terms are in use in other African states. (e.g. *Wabenzi* in Kenya and Tanzania). While making large claims about being democratic, political leaders in most state capitalist states tend towards demobilisation of the people, increasing social control, if not outright repression. Governments and ruling parties may be populist in style but they are certainly not led by workers and peasants nor do the bulk of the people participate in decision-making (2). These states certainly differ

markedly from those states like Mozambique where the ruling parties have taken an unambiguously socialist position.

Rather more needs to be said about the particularity of class relations under state capitalism, especially about the class affiliation of the state bureaucracy. Poulantzas has argued that the issue of the role of the bureaucracy concerns the state apparatus and not state power. (Though in Zambia, because of the close convergence between the party and the state apparatus those elements are less easily separated). Poulantzas argues that the state bureaucracy is not a class for itself because it functions essentially for the state and not in its own right. It does not hold state power. Its functioning circumscribed within the class power of the state. However, he concedes some possible modifications. «A good example is the case of the *state bourgeoisie* in certain developing countries : the bureaucracy may, through the state, establish a specific place for itself in the existing relations of production... But in that case it does not constitute a class by virtue of being a bureaucracy, but by virtue of being an effective class». (Poulantzas 1973 : 331)

Another way of looking at the bureaucracy, particularly in the case of Zambia, might be to link the bureaucracy in the party and the government under a common class concept on the grounds that they control the access to power in such a way as to gain a monopoly of decision-making over the economy. Szentes argues that the bureaucracy cannot become a class for itself since it does not own the means of production, it can only ensure its position by regulating non-economic (distribution) relations. (Szentes 1973 :318 and Leys 1976 : 45) In Zambia, however, the bureaucracy even in the administration alone exercises considerable control over the means of production, thereby earning for itself at least a place as a fraction of what I call the quasi-bourgeoisie.

As for the business bourgeoisie in the private sector, this might be split into the foreign-linked section and the indigenous section who are largely African and Asian (3). Neither section can be shown to be lined up against foreign capital, rather they want more foreign investment in order to strengthen the private sector as a whole and to provide them with more business outlets. There are certainly no signs of the «revolutionary potential» in the context of anti-imperialism as suggested by Solodovnikov. (Solodovnikov 1975 : 136) Seidman's dependency model seems more appropriate.

In so far as a national bourgeoisie is identifiable at all, I prefer the concept of a quasi-bourgeoisie straddling the party, administration and private sectors, though the empirical evidence to support such a concept needs to be developed.

What are the possibilities for autonomous development in Zambia under state capitalism? Presently, due to the crisis, they are bleak but on the assumption that something will come along to save the situation, like higher copper prices, what might be the prospects?

First, we have to recognise that, unlike in the heyday of capitalism in Europe, there are no external sources of capital accumulation available

to Third World countries. External capital is dependency-making capital which leads to the distortions set out so fully by Seidman and others. There is, therefore, little internal national capital and the rate of accumulation is low. The few short years when Zambia was able to tax copper revenues to finance public expenditure are now over and in any case it is clear that while much infrastructure was built it did not spark nationwide development.

While branches of the multi-national corporations seem to wish to retain their hold on the local small, though high, consumption market based on the Europeans and small African elite, the wider market is marked by low purchasing power. There is no base for large-scale private manufacturing. Plants which have been built are mainly import-substitution factories producing semi-luxury goods for the income market only. These firms are heavily import-dependent on raw material, machinery, spare parts, technical manpower and are consequently a drain on foreign exchange (4).

The large-scale plants built by the state, like Chilanga Cement, have also been heavily dependent on high-cost, imported capital-intensive machinery and on raw materials. Lack of skilled manpower is crippling. Equally, the parastatals are also plagued by a shortage of experienced management and efficiency suffers. The economy is unable to offer employment to the large numbers who are forced to the cities by the failures of subsistence agriculture, always the orphan child of post-colonial state capitalism. For all these reasons, which are applicable to many post-colonial states, there is a retardation of the economy, a phenomenon to which Zambia was only a short-lived exception.

Presently Zambia exhibits the strange paradox that the international capital on which it depends to balance its books is bound to strengthen the public sector. The IMF has shown that it is willing to invest in parastatals rather than struggle with private firms where entrepreneurial expertise is lacking. The effect of this policy is to bolster state capitalism, but in a form which makes it even more dependent on international capital.

The special characteristics of state capitalism are brought out in a comparison with state monopoly capitalism. In the latter the state acts on behalf of, or in extreme cases as the agent of, monopoly capital. In state capitalism the monopolies which are foreign are brought into some kind of direct partnership with the state. There may be a dependency relationship, but there also may be cases where the monopoly interests are either bought out or expropriated. Thus, the state is less obviously a tool of monopoly capital, nor is it so clear that monopoly interests are served by state capitalism. Seidman takes an extreme view on this in arguing that the central issue is the existence of an export-oriented enclave tied to international capital.

However, in both state forms, there is a substantial erosion of the respective autonomies of the political and economic spheres (5).

The most important difference, however, is that state capitalism is a transitional form while state monopoly capitalism is highly developed with hardened arteries, and may be called the highest stage of capitalist organisation. The criticism levelled by Poulantzas against state monopoly capitalism as a concept is that it implies that the state is merely a tool of a class which could under different circumstances be used to operate the passage to socialism. This argument could not be used against state capitalism since the state apparatuses are admittedly ill-formed, often unstable, combine class forces which are contradictory, and could therefore be the vehicle for a socialist transition given a transformation of class power.

A further comparison is also instructive. How does the above model of state capitalism relate to the model of non-capitalist development? The main authority in that field is Solodovnikov and the comparison below is made with reference to his book *Non-Capitalist Development*, previously cited. My discussion is related to Zambia but there are obviously more general applications.

Solodovnikov characterises the non-capitalist path as follows .

1. *Economy.* There is an attack on foreign and local capital, nationalisation, and the creation of a state sector. In the countryside landlord property rights are abolished, there are important agrarian reforms, the allocation of land to the peasants. and cooperatives are organised.
2. *Social.* There is a limitation on exploitation, the state and cooperative forms of property are enhanced leading to new production relations. There is a change in the class structure of society favouring the working people and a rise in their living standards.
3. *Politics.* The working people are involved in the building of the state together with other progressive forces and the society gravitates towards the socialist countries and socialist movements of the world.
4. *Ideology.* There is a movement towards scientific socialism. He concludes, «Thus, the non-capitalist way is a form of approach and ultimately of transition to socialism, the connecting link between national liberation revolution and socialist revolution». (Solodovnikov 1975 : 247).

Post-colonial state capitalism differs from their model in the following respects:

1. While it is overtly oriented towards socialism, there are all too few basic measures taken which might ensure such a transition. Many measures are mere tokenism and cosmetic.

2. The system is marked by incrementalism and gradualism rather than revolutionary transformation. While gradualism is of course necessary, it *must* be preceded by a revolutionary change in class power, else it leads only to the continuation of the basic element of the previous system.
3. While state power is in the hands of broad democratic forces, it by no means enjoys the support of the working class nor does it act consistently in their interests; though it does provide a welfare function (ILO 1977 : part 3).
4. While the state sector is expanded, often at the expense of the private sector, this process is not obviously irreversible, on the contrary, the goal remains the maintenance of a mixed economy with a free market for a considerable time. The planning function is cursory, there is no sign of a command economy. Private sectoral activity is by no means confined to minor branches of the economy – in Zambia the mining companies remain to a large extent under the control of private interests as do some other major enterprises and companies, e.g. Lonrho (Tordoff 1974 : 395).
5. Even where the state exercises a monopoly this by no means constitutes it as a socialist sector.
6. While education is advanced rapidly, the content of education is not given a socialist orientation, rather teachers are drawn from capitalist countries and the books used are primarily of western origin. The same applies to the university – a fortiori where matters are made worse by the obvious placement of post-graduates in western universities so that they repeat western material in their teaching on return. The university retains the character of a western-style institution reproducing elitist minded students.
7. In foreign policy, anti-imperialism is not consistent and relations with the socialist countries remain cool.

However, the main point of difference between state capitalism and states which take the non-capitalist path lies in the classes or fractions in control of state power. In state capitalism the power of the working people is not steadily advanced as against the quasi-bourgeoisie. On the contrary, despite nominal leadership codes and vast rhetoric, the latter become stronger and more numerous, incubating the forces of political reaction which look forward to the expulsion of socialist elements from the commanding positions of the state and party. There

have been numerous warnings of this tendency by President Kaunda, as cited above (6).

Some commentators consider that the most obvious of the deficiencies of state capitalism is its failure to stimulate production for mass consumption for the reproduction of the means of production and the regeneration of production in the subsistence economy. Instead, in the poignant phrase of Shivji : the state accumulates while the bureaucratic bourgeoisie consumes (Shivji 1975 : 95). A word of caution is indicated here. Mass consumer goods are produced and over-produced by the advanced capitalist economies without them becoming in any way socialist, and while Third World economies do not have the same capacities, it cannot be said to be the sole criterion of whether a state is socialist-oriented or not. What is crucial is the political character of the forces holding state power.

FOOTNOTES

- (1) R. van der Hoeven, 1977, *Zambia's Income Distribution during the early seventies* ILO, Geneva, W.E.P. 2-23/WP 54.
This report contains detailed analyses of income differences by cohorts over the early post-independence period.
- (2) A survey by P.E. Ollawa showed that the majority of people canvassed in town and country did not believe the Zambian system was genuinely participatory. P.E. Ollawa (1979) *Participatory Democracy in Zambia*. Stockwell U.K.
- (3) Beveridge states that «Government policies since independence have been generally favourable to the growth of African businesses». A.A. Beveridge, 1973. *Converts to Capitalism: The emergence of African entrepreneurs in Lusaka, Zambia*. New Haven: Ph.D. thesis.
- (4) This is freely acknowledged in several government reports, including the Third National Development Plan.
- (5) N. Poulantzas, *op. cit.*, p. 152.
This book has a useful discussion on state monopoly capitalism though he is critical of the concept.

- (6) President Kaunda has written, «Capitalism has been entrenched in this country whether you look at it from an economic, sociological, cultural, or indeed political angle». *Humanism in Zambia*, p. 16.
- Molteno and Tordoff add, «And the state takeovers of private firms have not altered this situation, for shareholding in a company, on whether scale, does not automatically constitute nor confer real or effective control». Tordoff, *op. cit.*, p. 395.
- President Kaunda's address to the National Assembly, Daily Parliamentary Debates, No. 25a, 8 Jan. 1971, Col. 12.

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RESUME

Actuellement l'un des problèmes majeurs des pays en voie de développement est la prise en main de leur économie. Tous les pays en voie de développement s'ingénient à trouver les voies les plus sûres et les plus rapides pour résoudre ce problème. Quant à la Zambie, elle a placé ses espoirs dans l'institution du capitalisme d'état en système politique et économique. Dans l'article qui précède, l'auteur ne s'intéresse qu'au fonctionnement interne de ce système car dit-il c'est «là où réside la spécificité du système».

Après avoir dans la première partie défini le capitalisme d'état et souligné que c'est une phase de transition vers le socialisme, il fait remarquer qu'en Zambie le capitalisme d'état est dû à «l'existence dans l'économie d'un secteur public très large et à une concentration de la structure du pouvoir politique dans un pays où les forces et les relations capitalistes demeurent dominantes». L'interventionisme a été le caractère dominant de la politique de la Zambie, intervention aussi bien dans le secteur économique que politique.

Il consacre la deuxième partie de son article à l'analyse des facteurs qui ont contribué à l'avènement du capitalisme d'état. Ces facteurs sont au nombre de trois:

- le capitalisme d'état est avant tout une réponse nationale à l'exploitation des richesses du pays par les filiales des entreprises multinationales basées en Zambie.
- il est aussi dû à la faiblesse ou quasi-absence d'une bourgeoisie nationale ;
- Il résulte enfin de la pression constante des travailleurs organisés de la paysannerie et des masses pour réclamer le fruit de l'indépendance.

Dans la troisième partie il fait une analyse détaillée des trois types d'entreprises parapubliques qu'on trouve en Zambie, qui sont :

- Le type commercial, le type semi-commercial, le type non commercial.

Dans la quatrième partie et pour conclure, il résume les traits spécifiques du capitalisme d'état post-colonial en Zambie. Ce capitalisme d'état est caractérisé par :

1. - la possession par l'état des plus grandes entreprises, ce qui implique un investissement plus important de la part de l'état.
2. - un grand marché de denrées non planifié et gouverné par la loi du profit ;
3. - une structure sociale dans laquelle les travailleurs et les paysans sont en position de subordonnée ;
4. - l'émergence d'une quasi-bourgeoisie à cheval sur le secteur public et le secteur privé ;
5. - la continuité et la persistance du système qui a été garanti par la médiation du pouvoir de l'état.