

# THE DEVELOPMENT OF ANTI-DEPENDENCE POLICIES IN TANZANIA

By  
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## 1. Introduction

The Tanzania anti-dependence policies, starting around 1965-66 and leading to Arusha Declaration of 1967, have often generated a lot of debate nationally and internationally. Many times the debate has produced committed positions, from the early Western-orientated condemnation of the policies as communist to the mild support as grassroots-based, which they enjoyed from Third World-oriented intellectuals and Scandinavian social democrats in the early-to-mid 1970s. These anti-dependence policies, dubbed socialism and self-Reliance by the Arusha Declaration, have continued to generate debate, but there seems to be a difference now, with practically every assessor of those policies condemning them as disastrous, particularly at the economic level. Even the political party which issued the Declaration and still governs Tanzania has more or less condemned those policies in the light of its conversion to the market economy and privatization.

There is much to be said about these committed positions. Let us take the question of the performance of the economy during the implementation of the Declaration. Without carefully examining the relationship between the anti-dependence policies (represented by the Declaration) and economic performance, critics have usually rushed to conclude that economic performance in Tanzania has always been disastrous, and that this was directly a result of socialism and Self-Reliance (Spalding, 1996). In the first place, the "disastrous" economic performance in Tanzania occurred only in the period 1979-83, which was characterized by huge military expenditures and extremely unfavourable terms of trade for its primary products, leading to severe balance-of-payment problems and acute foreign currency shortages that in turn resulted in very low industrial capacity utilization as well as price disincentives to agricultural production. Between 1961 and 1979, by the GDP measure, the economy was growing normally (4-6%), reaching a high of 9.4% in 1976-77 by 1976 prices. More importantly, the period from 1965 to 1979 is clearly the only one in the history of the country when purposeful investment and industrialization (the more permanent basis for development), took place (Mukangara, 1993). Moreover, as argued elsewhere (Mukangara, 1991: ch.6) economic rationality in investment continued apace, despite the Arusha Declaration, throughout the period of the 2nd and 3rd Five-Year Plans in 1969-74 and 1976-81 respectively.



The fact that the great interest in Tanzania development strategy has often produced committed and sometimes erroneous judgments inspires a revisiting of historical facts so that a contribution to the correct construction of the political economy of development in Tanzania is at least attempted. It is in this context that the writing of this paper is undertaken. However, the paper deals neither with issues of Tanzania's economic performance (introduced here merely to demonstrate that questionable assessments exist) nor with the question whether socialism and self-Reliance was the "right" policy. Instead it deals with other equally interesting and examinable aspects of the debate on Tanzania anti-dependence policies. These include whether the policies were brought about by the wishes of a single leader or ruler (Spalding, 1996); whether they were purely ideological, without economic considerations; and whether they were abstract in the sense of not being rooted in the reality of Tanzania. In addressing these questions the paper focuses on an account of the policies in terms of the logic that brought them about.

## 2. Background to the Arusha Declaration.

Before giving an account of the policies, it is useful to review briefly the circumstances that led to the Arusha Declaration, as an attempt at explaining why it came about in Tanzania at that time.

### 2.1 The long term causes.

#### 2.1.1 The leaders' philosophical and ideological disposition.

The existence of dependence is in a sense an obvious cause for the formulation of an anti-dependence strategy of development. But actual anti-dependence may only take place if there is a perception, within the general population or the leadership, of its negative characteristics. With insignificant levels of education, most Tanzanians were generally unaware of dependence other than in terms of political subjugation. Therefore in this issue, as in many others that became important in the post-colonial period, the role of creating and raising an awareness was played almost exclusively by the leadership. The leadership itself was dominated **at the level of ideas** by one person, Julius Nyerere. This was partly due to Nyerere's own personal attributes, including charisma (Pratt, 1976; Mohiddin, 1980), and his higher level of education. It is for this reason that, in describing the early phase of Tanzanian development policies, many writers have concentrated on Nyerere's statements, although one can detect a tendency for some writers (Pratt, 1976; Mohiddin, 1980; Yeager, 1982) to overrate his **personal role** in actual decisions in relation to that of his colleagues, and to underrate **the influence of material circumstances** in the evolution of the ideas and decisions of the leadership as a whole.

With the possible exception of an article by Nyerere in 1959 warning of the dangers of external aid (Nyerere, 1966: 73-74), there is no evidence in his or any other leader's pre-independence vies to show that changing the structure or direction of the economy was envisaged.

However, Nyerere and other African leaders shared a stance which, though vaguely perceived in other respects, was clearly **nationalist and anti-capitalist**. It may be said that this stance was a likely result of being anti-colonialist. But the stance was strengthened by the 'economic' ideas of pan-Africanism, and, to a lesser extent, the cultural ideas of negritude (Nelkin, 1964). These combined to become the source of the brand of nationalist anti-capitalism that its various authors, including Nyerere, came to call African Socialism. It was also strengthened, philosophically, by the social-democratic anti-capitalism of fabianism, with which Nyerere and a few other founder leaders of the Tanganyikan independence movement were closely associated (Iliffe, 1979: 447, 508).

#### 2.1.2. Egalitarianism and other social circumstances.

The role of the philosophical disposition of leaders in the working out of a new direction in development has sometimes been exaggerated to the detriment of other factors. The political party in Tanzania as well as a few independent observers, including Pratt (1976), are examples of those who tend to overstate the role. It seems to us that other circumstances prepared the leaders and the population at larger for the reception and sustenance of the idea of a new direction in development, and that, in comparison, their philosophical disposition was more complementary than fundamental.

It has been suggested that a factor which facilitated a change of development strategy by Tanzanian leaders was the lack of entrenched bureaucracy. This factor is usually put in a comparative perspective, with neighboring Kenya as the contrasting case. A variant of the argument is that there was no attempt to recruit and train Africans in Tanganyika to enter the colonial bureaucracy at higher levels, thus rendering the incoming post-colonial 'elite' insufficiently disposed towards protecting 'the system' and its structures (Pratt, 1976: 14-18)<sup>1</sup>. However, the problem we face with argument is that it does not address the question whether this reluctance on the part of the colonial government to create a responsive African section of the bureaucracy was peculiar to Tanganyika: there is no data to show that the case was different in Kenya. In fact it would appear from the same source of evidence that colonial behavior in this area was a general policy covering the whole of East Africa (Pratt, 1976: 14-18). Thus the point about the degree of African incorporation into the colonial bureaucracy in the two countries and its relevancy to the future leadership's interest in change or *status quo* is of minor relevancy.



What seems to be more important here is the fact of British attempts to win over the future Kenyan leadership just before formal decolonisation. Kenya's independence came two years after Tanganyika's. In the intervening period Tanganyika's leaders made statements about 'economic independence' and 'socialism' which, though still unclarified, were unsettling to colonial authorities. Coupled with Kenya's central role in the economies of East Africa, it can be assumed that British capital and the colonial government increasingly saw the need to 'pacify' African leaders in Kenya in some way before decolonisation became affective. There is evidence of a flurry of activities of this kind in the last years of Kenya's colonial government (Mohiddin, 1980). An even stronger version of the argument is that the colonial bureaucracy was large in Kenya (Bennett and Smith, 1976). This bureaucracy was to be part of the new government for some years after independence, and, in opposing changes, could rely on the affinity and support of a settler community that was by now far bigger and stronger than Tanzania's.

In the same cooperative mould, we find an argument which says that colonial authorities groomed the future Kenyan leading class for integration with the centres of the old order by making them property owners with a stake in the *status quo*. It is said that there was no equivalent attempt in Tanganyika, and that when similar moves were initiated there it was too late for them to bear fruit (Mohiddin, 1980). Part of the evidence for this argument can be found in the development-orientated activities of the colonial government in the 1950's. The 'economic development of native people' had become a stated post-war policy for all dependencies, and the development of a local middle class based on, and continually being strengthened by, the existence of a wealthy peasant class was henceforth anticipated even for Tanganyika (U.K. Govt. 1955; Iliffe, 1971). The Intensity of government action in this area, however, was greater in Kenya than it was in Tanganyika (McWilliam, 1976; Kenya Govt. 1954).

Each of the factors mentioned above may have been relevant in supporting the leaders' change of direction in Tanganyika. However, an underlying and continuous source of inspiration for all these factors appears to have been a greater appeal of egalitarianism in Tanganyika, which offered a more formidable ideological ammunition against capitalism than the pre-Bolshevik Russian narodism to which it has been likened (Mueller, 1980). The appeal of egalitarianism was strong not only because the capitalist revolution was incomplete, especially in terms of land tenure and social differentiation, but also because the notion had become a form of **cultural opposition to the colonial phase of capitalism**. That Nyerere (1966: 162-171) couched his early anti-capitalism in these cultural terms was in part due to the existence of egalitarianism as a cultural expression directed against foreign rule, and, by extension, against some of its attendant social and economic characteristics.

Another factor which is likely to have provided a supportive role in keeping anti-capitalist ideas alive had its source in the unified and national character of the independence movement. The significance of this was the degree to which the conflicting interests of the major socio-economic groups were balanced.

Within the nationalist movement there was a relatively strong petty-bourgeoisie, which consisted chiefly of a few intellectuals (mostly teachers), civil servants and traders. Some of the founders of the nationalist movement who remained at the centre of its activities throughout the pre-independence period, and whose class location in the economy was petty-bourgeois, include Julius Nyerere, a graduate teacher and President of the nationalist organization, TANU; Abdulwahid Sykes, Abbas Sykes and Ally Sykes, ex-armymen in trade and at the top of the leadership of the Tanganyika African Association (TAA), which was a precursor of the nationalist organisation, Samuel Chamshama, a clerk; and Steven Mhando, a graduate teacher. Others were Saadani Kandoro, first a clerk, then a trader and TAA organizer; Paul Bomani, a trader; Hamza Mwapachu, a social worker; Dossa Azizi, an ex-armyman who had become a trader; and John Rupia, Trader and treasurer of TAA in the early 1950's when active political mobilization by these leaders began to take place. There was also Oscar Kambona, a teacher; Selemani Kitundu, a trader and early nationalist organizer; and Bibi Titi Mohammed, the nationalist organizer responsible for a phenomenal recruitment of women into the movement, also a trader. Iliffe (1979: 542) noted that in 1956 Clement Mtamila, chairman of the nationalist organisation's central committee, was also the chairman of Tanganyika African Traders Union (TATU), an African trading co-operative competing with Asian and European wholesalers in the import-export trade. It is clear that traders were well represented in the leadership, though this list does not reveal all their strength. Obviously many traders could not continue at the top of the leadership, which demanded full-time commitment as the movement gathered momentum, but some remained powerful opinion leaders at local levels.

An examination of the trading sub-group in the nationalist movement yields an interesting observation. It was this 'fraction' that could be expected to become the basis of support for a capitalist-based status quo. However, due to some racially-based commercial restrictions, the African section of the sub-group which was potentially the most important - had been severally frustrated and aggrieved in its development (Ghai, 1965; Shivji, 1976; Maamdani, 1976). This meant that up to the early years of independence when it was yet to establish itself at the level of the economy, the African section had in general an ambivalent - some would say acquiescing - attitude towards an assault on existing economic structures.

This attitude was made all the more possible by an equally strong trade union and peasant presence in the nationalist movement, especially after the dock strikes of the



late 1940's (Ilfie, 1979: 395-404; Ilfie, 1980), and the peasant resistance to certain agricultural measures in the early 1950's (Cliffe, 1964; Maguire, 1969). Data on the strength of peasants in the Tanganyikan nationalist movement in its early year are not easily available. Apart from the fact that one expects a mass nationalist movement in a predominantly peasant society to be influenced by the concerns of peasants, the sound empirical proof of this appears to be the support its leaders gave to spontaneous acts of resistance in the 1950's. A compelling example of this association is provided by the militant involvement in, and articulation of, peasant grievances by Bhoke Munanka in the Lake Region where he was a nationalist organizer (Ilfie, 1979: 503-507). The association between labour and the nationalist movement was more direct and is easier to study. Well known leaders of the independence movement who had roots in labour organisation include Michael Kamaliza, a minister of labour in the early cabinets who was co-founder of the African Commercial Employee's Association in 1951 and the Tanganyika Federation of Labour (TFL) in 1955; and Rashidi Kawawa, Prime Minister in many cabinets, formerly of the Tanganyika African Government Servants Association (1944) and a co-founder of the TFL. More important was the fact that even though forbidden, trade union involvement in politics and in the nationalist movement was a pronounced feature of its existence from the late 1940's, so that in reality it was part of the nationalist movement before the latter was formally organized into a political party in 1954. Moreover, unionism grew rapidly after the formulation of the TFL. It is estimated that by 1961 the unionized section of labour in Tanganyika was 42% of the total, while it was only 12% in Uganda and 8% in Kenya (Ilfie, 1980: 299). To the extent that leaders of organized labour in the nationalist movement represented a large constituency, labour influence on the movement was bound to be considerable.

The presence of the worker-peasant element provided the nationalist movement with an anti-elite and pro-masses tradition (Maguire, 1969; Bienen, 1970), thus creating a great potential for supports in attempts at structural changes. It is this tradition which, along with the other factors mentioned before, provided support for the leadership's philosophical leanings.

## 2.2 The short term causes.

The immediate causes of the new thinking corresponded to certain post-colonial developments. These included a new perception of the nature of inherited structures and their role in development, new socio-economic trends, and new relationships with major world powers.

### 2.2.1. The inherited structures.

#### a) The continuation of the colonial legacy in the financial sector.

Partly due to the prominence of financial and monetary matters that particular colonial policies produced, and since industrial development was largely neglected, it was the financial sector that came sharply into focus when the nationalist government took over. The issues which became contentious in the sector could be grouped into two major aspects: the inequality involved in transactions between Tanganyika and external interests, in particular the dominance of the latter in financial matters and the repatriation of funds, and what was viewed as the stubborn refusal by externally-based institutions to introduce reforms.

At independence most of the financial institutions were branches of externally based companies, and a few were created by the colonial government to cater for special financial needs of the expatriate community. The largest financial institutions were the commercial banks. Three of these - the Standard Bank, the National & Grindlays Bank and the Barclays Bank DCO - could be considered really large. They had their headquarters in London, but had operated in Tanganyika since 1916, establishing a combined total of 33 local branches. The fourth largest bank in Tanganyika was the Ottoman Bank. It started its operations in the country in 1957, but was incorporated in Turkey, with headquarters in London and Paris. It had three branches. There were three smaller externally-based banks with headquarters in Holland, India and Pakistan. In 1963 the total assets of all the commercial banks were 37.7 million pounds.

There was one special purpose bank, the Land Bank of Tanganyika. This had been created by the colonial government to provide high risk, long term finance to expatriate farmers. In 1962 it had a balance of 1.6 million pounds of loans outstanding. In addition, the Post Office Savings Bank (which had 1.6 million pounds in savings), and some pension funds, provided a form of saving and banking.

What is more significant is that all the expatriate financial institutions operating in Tanganyika found it desirable to invest most of their 'surplus' funds abroad. This was partly due to the colonial monetary arrangements enforced through the East African Currency Board (Elkan and Nulty, 1976; Nsekela, 1983). In the case of other institutions, such as the Post Office Savings Bank and the pension funds, there was a law specifically requiring them to invest overseas. Also the fact that most of the institutions in the financial sector were branches of overseas institutions reinforced their propensity to invest abroad. With the uncertainty which nationalism and independence created, a more direct repatriation of funds took place as many expatriate individuals and companies scaled down or wound up their activities in Tanzania.



(Loxley, 1979a). All these factors demonstrated to nationalists the importance of exchange control.

b) **The initiatives of the new government 1961-1967.**

The new government was predictably concerned with speeding up development. The task that it viewed as a priority in pursuance of this goal was **the mobilisation of funds**. However, fund mobilisation inevitably required that it be accompanied by another task - the establishment of **a national control over the use of funds and issue of currency**. The government's focus on the financial sector was therefore on these two tasks. Its first significant action in the financial sector, however, was not so much one of mobilisation of funds as of a re-orientation of lending practices. Thus in 1961 the Land Bank of Tanganyika was replaced by the Agricultural Credit Agency (ACA) with a view to providing loans to Tanganyikan farmers. The ACA was succeeded by two institutions: In 1964 the National Co-operative Bank (NCB) was established with the primary aim of taking the business of **seasonal crop finance and general banking** for the growing co-operative movement away from the expatriate commercial banks. In the same year the National Development Credit Agency (NDCA) was created specifically for direct lending to farmers. Both the NCB and the NDCA, however, depended on the expatriate banks for their personnel and some of the funds. Earlier, in 1962, the government had co-sponsored the Tanganyika Development Finance Company Limited (TDFL). The other partners in this institution were the Commonwealth Development Organisation of Britain, the Federal Republic of Germany and, from 1965, a Dutch finance company called *Nederlandse Financiering Maatschappij voor Ontwikkelings-landen N.V.* Government sponsorship notwithstanding, TDFL was established as, and still is, a privately run commercial institution to provide equity, loans and managerial constancy to local private investors (Clark, 1978: 101).

Mobilisation efforts began in earnest with the creation of the National Insurance Corporation (NIC) in 1963. The government held 50% of the shares while the rest were held by the private insurance companies with which the NIC was designed to compete (Loxley, 1979a). In comparison with the colonial period, a major policy improvement in the insurance area was that the NIC was now required to devote the major part of its investment or 'surplus' funds to the acquisition of securities of the Tanzania government (Loxley, 1979b). A similar requirement was to apply to a new POSB. Soon after, in 1964, the government established the National Provident Fund (NPF). This was a compulsory superannuation fund providing savings and some capital to the government. A year later, the Tanganyika Bank of Commerce (TBC) was established. The nucleus of the TBC was the business of the now defunct Ottoman Bank. Through TBC the government set out to gain experience in commercial banking,

and to put the accounts of governmental and government-affiliated bodies under Tanzania control. 60% of TBC's share capital of 500,000 pounds was held by the government, the rest by the expatriate commercial banks operating in the country.

A considerable amount of government control in the financial sector was achieved with the creation of the Bank of Tanzania at the beginning of 1966. The purpose of creating the bank was to strengthen governmental power in exchange control (which had been established jointly by the three East African governments a year earlier), and to introduce central banking facilities for the more vibrant economy that was envisaged (Bank of Tanzania Act, 1965).

(c) **The initial results of the government initiative.**

In general terms the new financial institutions were not able to compete effectively with the more established and larger externally-based institutions. The nature of operations of the latter was not affected by these changes either. The new institutions were dependent on the old ones (for funds, manpower and operational guidelines), and were too small, to outcompete and supplant the expatriate institutions (Loxley, 1979a: 78). Yet there were important nationalist gains. Firstly, the new institutions made possible the immediate availability of development funds to the government and to Tanzanian peasant farmers. Secondly in providing a certain level of supervision in the financial sector, especially in relation to banking, and by introducing exchange control, the government had begun to have control over monetary resources. These resources were important for the planning of development. Both these factors made possible for the first time what Loxley (1979a: 79) has called surplus retention and expanded investment. A different effect of changes in the financial sector, however, was that they provided the government with an insight into the difficulties of 'changes within the system', especially those based on competition with large external interests operating in the Tanzanian economy, while at the same time proving to be the only springboard for 'bolder' changes that came later. It was this experience which began to bring home the reality of the doctrine of a free market in a 'small' economy, where a local entrepreneurial social group is virtually non-existent, and large external institutions are already dominant. The lesson was that greater Tanzanian control of funds, and the availability of these funds for planned development, could not be achieved without greater governmental intervention.

Although it has been emphasized that this experience was gained in the financial sector, and that further changes in the economy were at that stage still being perceived chiefly in terms of that sector, this is not to say that there was no nationalist concern for the industrial sector. As we shall see, the government initiated significant developments in that area as well. The difference with the financial sector was that



in the industrial sector there really were no policy changes, only incremental developments. More importantly, experience in the industrial sector had little bearing on the major change of development strategy that came in 1967.

### 2.2.2. New socio-economic trends.

It is well known now that independence provided an opportunity for some members of the local population of former colonies to move up into the positions vacated by members of the colonizing society. This also happened in Tanzania, but soon the leadership was alarmed by what it perceived as an acceleration of the growth of elites and (capitalist) exploiters threatening to tear up the entire social fabric. The anti-elite and anti-capitalist tradition that had characterised the nationalist movement and had not stopped growing, prompted the leadership to seeing this development as a serious problem. In some instances the trends considered undesirable would have been better described as the unchanged colonial legacies rather than new trends, the new element in them being only the participation of Tanzanians. An example of this was the salary structure, which still accounted for a very wide gap between the top salary and the minimum wage - a ratio of 26:1 in 1966, after it was brought down from 50:1 in 1961 (Nyerere, 1977; Pratt, 1979).

Also still unchanged was the housing situation, in which colonial forms of stratification and segregation were manifest. This left large, relatively luxurious and spacious houses in the former 'European' and 'Indian' areas, but shanty and crowded units in the 'African' areas. The top level salarieds had, of course, moved into most of the housing in 'European' areas, but, with this exception, the 'non-African' areas remained relatively closed. Moreover, landlords in these areas were by now gaining greatly by the continuing spread of modernisation (including a faster growth of the urban population after independence) which created a greater demand for office and residential space. Here the government was by far the largest client, and was likely to continue being so. In all areas, including the African one, a new class of 'non-industrious' renters was perceived to be growing. In the wake of this, greater amounts of workers' incomes were likely to be spent on ever-increasing rents. The rents were unlikely to be matched by wage rises from the government, the largest employer, considering its commitment to planned development and expenditures. It was also considered that this trend would not necessarily lead to the construction of more or better housing for the lower income groups, only to higher rents.

But the rise of the 'rentier' class and the likelihood of a progressive destitution of workers were not the only issues involved in this development. The other was that a large proportion of the 'rentier' class was made up of the leadership of the nation - high ranking politicians, government bureaucrats and managers. The problem was

exacerbated by the greater accessibility of financial institutions to those better integrated in the financial system to a time when Tanzanians were being encouraged to seek credit; leaders were simply better placed to benefit from this encouragement than peasants or ordinary urban workers. Thus, many housing loans given to people in the leadership category became a basis for real estate speculation and landlordism (Nyerere, 1977; Green, 1979).

Another important development was the cooperative movement, based in the rural areas and mostly affecting peasants. The main element of the movement was the producers' co-operatives. Retail trading was not as significant, hardly accounting for 10% of co-operative activities. The movement in Tanzania was extremely important if only for the sheer size of its membership and the percentage of the primary produce marketed by it. By 1965 there were about 1,500 producers' co-operatives with a total membership of about half a million, twice the size at independence, handling close to 50% of exports. The government was committed to expanding it well beyond this, so that it might ultimately handle all primary produce except the two plantation crops - Sisal and Tea. Close to 90% of the movement was engaged in the two most important exports after sisal, namely cotton and coffee. These crops were grown in some of the most populous areas in the country.

The early co-operatives were started by both the farmers (to safeguard their integrity as commodity producers and ensure a relatively stable price) and the colonial government (for bulk purchasing and as an additional measure of political control). In all cases co-operatives were led by the wealthier or better educated members - embryonic capitalist farmers in the case of the early co-operatives.<sup>2</sup> The 1950's witnessed a very rapid growth in the number of new co-operatives. These grew almost exclusively out of an intense dislike for middlemen.<sup>3</sup> Because of a number of racially-oriented trade ordinances, the Asian monopoly of the trade sector, and the generally low literacy and numeracy skills of the majority of producers, middlemen in colonial Tanganyika had engaged in crude forms of exploitation, among which the best known was shortweighing (Ghai, 1965; Coulson, 1977). To some of the emerging African traders, co-operatives were the only avenue towards the acquisition of a stake in the trade sector, and it is not surprising that many co-operatives were started, and all came to be dominated, by these traders. For the majority of members, however, the co-operative movement offered them the possibility of a relief from being blatantly cheated by middlemen in the exchange arena, and this is the major explanation for its rapid growth (Tanzania Govt. 1965).

The movement had many problems, among which were corruption and bad financial management (Tanzania Govt. 1966; Saul, 1975).<sup>5</sup> But there was one major problem which caused the Tanzanian leadership greater worries. While enjoying government



protection after independence, co-operatives soon became oppressive and exploitative of peasants. The structure of co-operative unions allowed the leadership to get entrenched, thus making it extremely difficult for changes or a new leadership to emerge (Tanzania Govt., 1966:34). The decision making process was undemocratic, both by original design and by this entrenchment of the leadership. By 1966 most ordinary farmers felt that the leadership of the co-operative movement did not serve them (Tanzania Govt., 1966: 33-35). Since peasants lacked education and other resources, they could neither democratize the movement by themselves, nor make it more responsive to them in the distribution arena (Saul, 1975). The feeling, once again, was that only governmental intervention to restructure the whole movement could redress the situation.

### 2.2.3 New Relations with Major World Powers.

Other factors which hastened the break with the past development strategy were international in character. These were related to Tanzania's emerging foreign policy in its generality, and to her reaction to particular events which took place in the international arena at that time.

In broad terms, it is usual for economic considerations to have a determining influence on the nature and conduct of foreign policy. In order to induce conformity, it was common for economically stronger powers to exert pressure on countries whose international politics were considered disagreeable. Tanzania soon found that there were obstacles to the conduct of an independent line in international relations without a matching independence in economic matters. When it refused to give up its independence in international relations, the economic pressure applied by some world powers brought this connection to light in a dramatic fashion, showing in particular that externally-based interests were taking advantage of the fragility of a primary products export economy and the lack of local control of important economic institutions.

In brief, the Tanzanian government allowed liberation movements from Southern African countries to establish bases in Tanzania when peaceful forms of struggle for freedom became proscribed, condemned American and Belgian political intervention in independent Congo, accepted what was still a negligible amount of aid from 'communist China', in addition to its traditional 'Western' sources, resisted pressure from the Federal Republic of Germany not to establish diplomatic relations with the German Democratic Republic, condemned 'the West' and especially Britain, for its reluctance to stop the Rhodesian Smith regime from instituting a minority rule, and, generally, adopted a non-aligned as opposed to a Cold War position on international issues (Pratt, 1976: 134-152). The 'West' frequently made its displeasure known to

the Tanzanian government about these issues. Finally, a loan of 7.5 million pounds was frozen by Britain, part of an aid package worth 85,000 Deutschmarks was withdrawn, and an other aid package was suspended by West Germany. Britain and West Germany were respectively the first and second most important bilateral sources of aid to Tanzania at that time (Pratt, 1976: 140-141, 149). These events took place in the years 1964-66.

The British and German actions greatly affected the funding of Tanzania's first Five Year Development Plan (1965-1969). This was at a time when two of the country's most important exports, sisal and coffee, were suffering a decline in demand and were not expected to recover in the foreseeable future. The government now found it imperative to raise the local share of the investment budget of the plan (which had been firmly pegged to the expectation of a foreign aid inflow) from around 48% to about 70%. It could do this by borrowing from financial institutions operating inside the country, but a lot of the funds had already been repatriated at independence, and, in other instances, the government simply did not have the leverage to secure loans.

### 3. Authoritative Statements and Policies on the Expected Direction of Development in Tanzania.

#### 3.1 Pre-Arusha statements.

Some of the articles and speeches by the Tanzania Head of State in the 1961 - 1967 period reflect a dissatisfaction with the development strategy being pursued or traditionally expected to be pursued, and they are an indication of what was to follow. At the beginning of 1963 Nyerere was saying that Tanzania needed (private) capital investment 'on our terms, which are fundamentally social; and that the country needed factories 'not to improve the scenery' but to improve the lives of the people (Nyerere, 1966: 209-211). In the same year he raised for the first time the theme of 'the growing gap between the 'rich North and the poor South' and suggested that only 'African unity' could guarantee rapid development by providing economies of scale and other advantages of a larger economy (Nyerere, 1966:212-214). He went on to say that at the international level the economic arrangements between North and South might be modified by the opening up of the North's markets to the products of the South rather than the provision of aid. He also said that apart from these possible avenues, the poor countries might be forced into 'isolationism' (Nyerere, 1966: 231-251). In February 1965 he reiterated the need for Tanzania to welcome private investment while at the same time cautioning against conspicuous consumption, which he referred to as the 'limousine lifestyle' (Nyerere, 1966: 318, 332).



A major policy statement was made by Nyerere in the same year. In its wider coverage it called for the diversification of exports. Its main focus, however, was the sisal 'industry'. By 1965 the price of sisal was falling steadily, and the government could not foresee a respite, considering that competition from synthetic fibres was not likely to lessen. The large-scale expatriate producers had abandoned their growth plans, and they reduced production volumes drastically so as to cut costs. The government on the other hand had decided that the sisal earnings reduced by falling world prices would be increased through acreage expansion. To do this, more small producers would have to be involved in sisal, and the government would need to have some control of the 'industry'. It was in fact argued in the policy statement that the sisal 'industry' was too important to leave in the hands of foreign large-scale growers (Nyerere, 1966: 322-325). This policy direction was similar to certain tenets of the more general, but still - to come, Arusha Declaration.

In another major article in 1966 Nyerere spoke against investing in luxury consumer goods where it was possible to invest in capital goods which, he argued, were the only guarantee of wealth in the future. In the same article he expressed a dissatisfaction with foreign aid, saying that loans and credit take too long to finalize and have undesirable conditions attached to them. Observing that investment by local sources was more possible than usually imagined, he announced that Tanzania was now going to try to practise more self-reliance (Nyerere, 1968: 157-174).

These articles and the one major policy statement on the sisal industry show that, in resonance with the direction of the material and philosophical conditions in the country in the 1961-1966 period, a strategy of non-dependent development was crystallizing, at least in leadership circles. They incorporate major subjects raised by a strategy of non-dependent development: unequal world relations at the level of the economy, the importance of capital goods investments, the questioning of external aid as the panacea for 'under-capitalization' and underdevelopment, the barriers in the way of a primary products export economy, the importance of national control of a sector or industry considered critical to development, and the desire to make the betterment of the quality of life part of a development programme rather than to expect it to be merely a result of growth measures.

The entire 1961-1966 atmosphere of an anti-dependence strategy now culminated in the Arusha Declaration.

### 3.2. The Arusha Declaration: the broad policy of self reliance and 'socialism'.

The document containing the declaration was subtitled "Socialism and Self-Reliance", and it was based on a draft by Nyerere, which was amended by the National Executive

Committee of the party (Nyerere, 1968: 231). It was accepted by that committee on 29th January, 1967 and published on the 5th of February that year. The highlights of the documents are as follows:

- (a) It reiterates a principle familiar to members of the party, that the state has a duty to intervene actively in the economic life of the nation so as to ensure the well being of all citizens, which in turn requires that the government must exercise effective control over the major means of production and facilitate the collective ownership of resources.
- (b) It directs that the major means of production and exchange be publicly owned (the actual words used are 'under the control of peasants and workers'). The major means of production and exchange are defined broadly to encompass land, forests, minerals, water, oil, electricity, news media, communications, banks, insurance, export-import trade, wholesale internal trade, iron and steel, machine tool, arms, motor-car, cement, fertilizer, textile and any big factory on which a large section of the people depend for their living, or which provides essential components of other industries, as well as large plantations, especially those providing essential raw materials.
- (c) It is skeptical of the role of money, if a literal translation from the original Kiswahili version is taken. Bearing in mind that this section was written as a direct reaction to the frustration over aid expectations and plans, the skepticism was over basing development programmes on foreign investment and external aid, and over a high propensity to import goods. Note that this section does not urge that aggregate levels of external capital be reduced, as is popularly believed; it merely advises that all facets of that capital be thoroughly scrutinized.
- (d) The document is also skeptical of basing development on industry. It is a clear example of the disillusionment with external sources of capital, since the industrial sector had been the one most dependent on them. The document advised that emphasis be placed on bettering the lives of peasants and developing agriculture. Although nothing in the text shows that it was opposed to industrialization, many who have written on Tanzania are correct in saying that, at least in theory, this was the basis for expecting that agriculture, rather than industry, would be the main factor in bringing about further development. In later years the leadership of agriculture over all other sectors in the process of development would be continually alluded to by politicians, including Nyerere, though never elaborated upon beyond this assertion.



- (e) Part V of the declaration, called the Arusha Resolution, contained the Leadership Code, so-called because it forbade party leaders and other politicians from owning a business and having more than one source of income (including holding shares in a company and renting houses to others). Soon after, the code was extended to cover all salarieds from the junior management level upwards; for example, it covered graduates employed straight from university. It was designed to supplement formal salary-scale changes in the regulation and distribution of income between groups in the workforce, and to close non-wage avenues for widening income gaps. It was also expected to help make more funds available for projects of national importance, and can in this sense be seen as an attempt to rectify the received image of Third World leaders engaging in self-aggrandisement to the detriment of national development. In the previous year university students had in fact obliquely accused Tanzanian leaders of such self-aggrandisement, and Nyerere had immediately responded by cutting his own salary by 20% and that of other higher government officials by a substantial margin (Pratt, 1976-235).
- (f) Other aspects of the declaration were not directly related to a strategy of non-dependent development. For example, it expressed a commitment to Freedom and Equality, had a long list of civil liberties pertaining to the individual, and it quoted the Universal Declaration of Human Rights as one of its main inspirations.

### 3.2.1 The strength and omission of the Arusha Declaration.

In terms of gaining control of the economy, the declaration was explicit enough in spelling out the first important step to be taken, namely the nationalization of important aspects of the economy. At the same time it remained general and even ambiguous on the aspects of the economy, and of the development strategy, for example about external capital and private investment. Also, some important omissions from the document could be observed, one of which was the silence on the nature and role of human resources that were to be prepared for the carrying out of the strategy. This was perhaps as it should be in overall policy, leaving the elaboration and details to subsequent and supplementary policies. One thing is clear though, that the generality and ambiguity of the document in these areas left the leadership with a fair amount of space in which to make pragmatic decisions.

The refusal to speak in favour of industrialization was, however, an important omission. The tilt towards a preference for agriculture as against industry was popular but an excessive reactive response to the frustrations of yesteryear, likely to prove misguided in developmental terms. A policy mistake could still be avoided in this

area, of course, due to the inbuilt ambiguity of the section (which could work either way), and to the fact that industrialization was not explicitly opposed. But the ambiguity, which was likely in view of the direction of the tilt, could act to prevent an early working out of the relevant industrialization programme.

The self reliance part in the declaration, representing more directly the anti-dependence drive, was accompanied by a commitment to the construction of socialism. The leadership has, of course, always seen the two as being complementary to each other. Yet there was a danger of blurring the anti-dependence direction in this. The danger arose, on the one hand, from the technical difficulties of working out an implementation process of self reliance involving powerful external economic interests and complex developmental questions. On the other hand the danger was embodied in the relative ease with which apparently socialistic measures could be instituted-owing to their popular appeal, and the availability and simplicity of their implementational inputs. There was a possibility that the socialistic mood of the time would eclipse a focus on self-reliance, thus denying the latter a better elaboration and greater commitment.

The Leadership Code has been a source of controversy for some time. In the circumstances of the time the code appears to have been necessary. The need to curtail easy access to funds for personal use was there, and the leading politicians were convinced that existing laws and other control measures were failing to stop the trend (Green, 1979). However, there are in Tanzania, especially in the emerging indigenous business community, those who argue that the Leadership Code contained from the start the ability to stop the growth of a local entrepreneurial class, which may have been right for socialism but not nationalism. They argue that the code stopped the only group of indigenous people - the educated top and middle level salarieds - capable of a quick mastering of the operations of modern business at a time when the existing (Asian) entrepreneurial class was becoming less inclined to expand business in Tanzania. They go on to argue that since it is always harder for new entrants in a business sector to succeed, and because national independence could not have immediately eradicated the legacy of colonial restrictions, all middle and top level employees opted for the security of their jobs, instead of entrepreneurship. Corrupt self-aggrandisement might have been better dealt with simply by the institution of new and harsher criminal laws, thus avoiding the politico-ideological curtailment of the employees' option of business association. Some argue that this exclusion of an important group from the business sector was always likely to lead not only to a disproportionate growth of bureaucracy, but also to 'a country devoted to the administration of the national product rather than its creation'.<sup>6</sup>



### 3.3 Other major policies and the clarifications of the Arusha Declaration: 1967-72.

Several clarifications and restatements of the declaration were made in the period following the announcement. There were also major policy statements which, apart from being a follow-up to the declaration, had their own separate identities due to the importance and specialty of the fields they addressed, such as agriculture and education. Other policy statements did not directly follow the declaration but came from a new awareness of issues, as well as from the need to give a different emphasis to aspects of development not thought of before, for example the issue of workers' participation in industrial decision-making in the *Mwongozo* policy document, and grassroots participation in planning in rural areas embodied in the **Decentralization** policy. The main sources of the clarifications were speeches, articles and official reports to the party by Nyerere, while most of the party and government policy statements were also initiated by him, as in the period leading to the declaration. From 1967 onwards, most policies tended to address the subject of self-reliance and socialism simultaneously, from a conviction that they were inseparable, but here we have tried to extract only those aspects that have a bearing on the strategy of non-dependent development.

In the same month that the declaration was announced, and as the process of nationalisation was taking place, Nyerere explained the implications of the policy for private capital. He clearly stated that **nationalization did not mean the exclusion of privately owned industry**. He stressed that some areas must be exclusively public while others should have both public and private ownership, with the public being the majority shareholder. The rest of the economy was fully open to private industry (Nyerere, 1968: 251-256). Soon after, he stated that nationalisation was simply an **expression of economic nationalism** not peculiar to Tanzania but 'natural' to any country, whether socialist or not (Nyerere, 1968: 262-266). This was followed by yet another clarification of the declaration on the role of external capital and the implication of self reliance for international relations. In an article published in August 1967, Nyerere stated that self reliance was not isolationism, and that overseas capital and manpower were still very much needed where it could make Tanzanian efforts more effective. In the same article he addressed the question of the relationship between industry and agriculture and gave a hint of the government's position on what would in later years be the 'appropriate technology' debate. He went slightly further this time in expressing a preference for concentrating efforts in agriculture relative to industry, a preference already hinted in the declaration itself. Stressing that development would be through agriculture, he added that 'new industries and mechanised farms will be the exception, not the rule' (Nyerere, 1968: 315-126). To complement this policy standpoint he also announced that a lot of effort would be

geared towards the **promotion of small scale industries**. He even suggested, although the tone in which it was said was merely reflective, that obsolete machinery in industrialized countries may be more appropriate to Tanzania than modern machinery.

Another opportunity for Nyerere to explain the relationship between agriculture and industry came in June, 1968, in a speech given in North Korea. Here the rationale for preferring agriculture to industry was provided (Nyerere, 1973: 45).

"We have to build our economy concentrating first on agricultural development. That is the industry we have, and which can be expanded without existing resources of capital and manpower. It is from the surplus we create in the agricultural industry that we shall develop our industrial sector. Of course, this does not mean that we are uninterested in industrial growth, for agricultural development itself demands not only processing plants, but also the manufacture of simple tools, of fertilizers, etc. It is a question of emphasis and of priorities."

While inaugurating the Urafiki Textile Mill, constructed in Tanzania and funded by Chinese aid, Nyerere (1973: 47) explain the government's position on how aid in general would be reconciled with the commitment to be self reliant.

"Our struggle for self-reliance does not mean hostility to the people of other countries, nor a rejection of the help they are willing to give us when that help enables us to become more self reliant in the long run."

One of the issues which Nyerere has been known to support throughout his political career is regional co-operation. On several occasions in 1970 the once again committed Tanzania to the pursuits of regional co-operation. What is worth noting in his 1970 tackling of this subject is his conviction that regional co-operation was important in the struggle to break out of dependence (Nyerere, 1973: 159-189).

A document rivalling the Arusha Declaration in importance was *Mwongozo*, published by the party in January 1971 (TANU, 1971). It was a comprehensive document covering many issues, including regional co-operation, defence and security, foreign policy, the role of the party and its relationship with the government, foreign trade, national accounts, democracy and participation. A product of times in which nationalist fevour was high, especially since there were fears of an invasion from one or more of the former colonial powers, and influenced greatly by the radical wing of the party, it was noted for its more militant tone, compared with the Arusha Declaration or any other policy document. Its highlight was the emphatic support for the 'masses' as the determinant of the country's density. The notable sections of the document were paragraphs 15 and 28. Paragraph 15 reads:

"Together with the issue of involving the people in solving their problems, there is also the question of the habits of leaders in their work and in day-to-day life. There must be a



deliberate effort to build equality between the leaders and those they lead. For a Tanzanian leader it must be forbidden to be arrogant, extravagant, contemptuous and oppressive. The Tanzanian leader has to be a person who respects people, scorns ostentation and who is not a tyrant."

This paragraph was responsible for the birth in Tanzania of the concept of **workers' control**, which had a potential of affecting the running of organisations and the efficiency of production. Although the concept had been hinted by a 'Presidential Circular' in 1970, no policy document, other than *Mwongozo*, took up this issue. In paragraph 28, *Mwongozo* stated:

"For a people who have been ... oppressed, exploited and humiliated by colonialism or capitalism, 'development' means 'liberation'. Any action that gives them more control of their own affairs is an action of development, even if it does not offer them better health or more bread. Any action that reduces their say in determining their own affairs or running their own lives is not development and retards them even if the action brings them a little better health and a little more bread .... In considering the development of our nation and in preparing development plans, our main emphasis at all times should be the development of people and not of things. If development is to benefit the people, the people must participate in considering, planning and implementing their development plans."

The anti-dependence thrust in its general sense was clear in this paragraph. But the other significance of paragraph 28 was that more than any other policy statement before or after, it legitimated the primacy of social considerations in the working out of development programs or in the appraisal of projects.

Both paragraph 15 and 28 were understood to confer rights, respectively, to workers to take part in all decisions of an enterprise and to villages to initiate and take part in the planning of development projects affecting them.

Some of the important themes of *Mwongozo* mentioned above were covered by other documents equally well. For example, grassroots participation in development planning was the major theme of the **Decentralisation** policy of 1972, while earlier in 1968 the **Freedom and Development** document had referred to the importance of people-centred development (Tanzania Govt. 1972; Nyerere, 1973:58-71).

One of the major policy documents that dealt with special areas was on education. The **Education and Self Reliance** document of March, 1967 directed that the education system be changed to eradicate the colonially-induced elitism of the educated. In particular this document addressed the need to orientate primary and secondary education towards an appreciation of agriculture, the fostering of co-operative and people-centred values in contrast to values conducive to social stratification, and the creation of conditions for uniting mental with manual work

(Nyerere, 1968: 267-290). The document remained at a general and philosophical level. It was left to the relevant ministry to work out the details.

The other document which dealt with a special area was published in September 1967. The document, titled **Socialism and Rural Development** made it clear that in the long term rural Tanzania would be composed of villages in which shared production and distribution was the norm. Since this document was against the use of force in the creation of socialistic villages, a point stated emphatically in **Freedom and Development**, it was clear that only a gradual, voluntary collectivism in agriculture was envisaged, though Nyerere expected that past egalitarian attitudes would help to popularize and speed up the process (Nyerere, 1968: 337; Nyerere, 1969; Nyerere, 1973: 58-71). But what was noteworthy about the policy of villagisation that **Socialism and Rural Development** spelt out was not only a greater commitment to the intensification of rural co-operation, but also the rationale for it. Nyerere saw co-operative village production as a form of, and a basis for peasants' experience in large scale farming. This perception has rarely been cited in literature, but in fact Nyerere accorded it equal weight with the socialist explanation through the early years of the policy. For example, in a major article on socialism written in 1970 he still referred to an Ujamaa (socialistic) village as a unit designed to provide experience of large-scale farming, arguing that development can only come from large scale farming. He mentioned that such farming comes in three forms: capitalist, state and co-operative, and that Ujamaa Village farms constituted the latter form (Nyerere, 1973: 156).

At this stage there was yet to emerge a major policy document that dealt exclusively with industrialization, or a detailed statement on the nature and direction of future industrialization measures.

#### 4. Conclusion

The major policies that define the strategy of non-dependent development in Tanzania are in the Arusha Declaration of 1967 and the 1967-1972 documents that clarified and supplemented it, the essential elements of which are the following:

- (a) The strategy clearly called for the nationalisation of all important areas by using developmental and strategic criteria in addition to that of the economic value of the relevant area.
- (b) Contrary to what has often been assumed, the strategy still welcomed private investment, both local and external. But because of the overriding commitment to nationalisation, and the accompanying



pledge to the construction of socialism in Tanzania, there is no doubt that the strategy was bound to create greater hesitation in the minds of private investors than before.

- (c) External aid was to be closely scrutinized and selectively accepted in relation to the direction of major policies and subsequent sectoral considerations. The policy did not set out to reduce levels of aid as has often suggested.
- (d) It directed that estimates for expenditure on development plans be based more on locally-controlled sources of finance than previously.
- (e) Private accumulation of capital by middle and top level employees was forbidden by a leadership code.
- (f) The strategy ushered in an era of commitment to people-centered development, including grassroots and workers participation. This not only brought with it an additional criterion for project appraisals and the performance of enterprises, but also challenged conventional organizational arrangements in a way likely to have far-reaching effects on the productivity enterprises.
- (g) Its rural sector policy is in our context noteworthy not for its call for the establishment of Ujamaa villages, but for its other developmental concern, namely that the village would be the location where modern large-scale farming could be experienced and learned by peasants.
- (h) The strategy's education and training policy was at this stage confined to a commitment to the eradication of elitism in the educational system. This was no doubt important but developmentally inadequate, for it did not spell out its perception of the critical type of skill needed, or which sectors had a priority for the training of manpower. There was still a possibility that this could be drawn up by the relevant ministry.
- (i) Industry had a lower priority than agriculture in the strategy. This was the policy with the greatest potential for holding back efforts towards non-dependence, and towards development, especially because a definite industrialization programme was not mentioned. Even a restructuring and modernisation of agriculture was not mentioned beyond the expectation that the provision of the existing range of inputs would be improved. Of course here too there was still a chance that the relevant ministries or other institutions would come up with

new, comprehensive programmes, as indeed became the case, following the launching of the Basic Industry Strategy in the mid-1970's. In general, this omission as well as other shortcomings of Tanzanian development policies, seen from the point of view of anti-dependence, are explainable inadequacies of a strategy that emerged in an evolutionary way. They do not reflect, in other words, a pre-planned ideological conspiracy or whimsical ambition by a group or an individual to hold Tanzania in a particular captive way.

These policies were the culmination of a trend towards an anti-dependence development strategy already evident by 1966. The trend was brought about by the following factors.

- (a) The obstacles to national co-ordination and independent action fostered by some of the enduring colonial structures, such as the financial system.
- (b) The limited but visible success in carrying out some *ad hoc* nationalist decision in the economic sector, which appeared to promise greater success if an all-embracing national strategy was designed.
- (c) The philosophical or intellectual orientation of the important section of the leadership, which questioned the inherited direction of development.
- (d) The deepening of this philosophical orientation, as the inherited but unsuitable structures proved resistant to reform and controversial socio-economic trends came to light.

The spark for the formulation and adoption of the Arusha Declaration came from two main sources.

- (a) The strained relations with major world powers, some of whom had used their leverage in financial assistance to Tanzania to try to induce a change in the country's policy trends.
- (b) The government's inability to secure development funds both due to the cut in external financial assistance and to the legacy of financial institutions in the country.

Above all, the emergent development strategy reflected a specific Tanzania historical and concrete experience, suitable to a gestation and nurturing of equalitarian/distributional ideas as well as nationalist economic policies. The argument in this



paper does not negate a role personal to Nyerere or specific to his group of leaders designed to maximize their popularity, influence or even power and private gain. It simply renders such an explanation of policies unnecessary. Socialism and self-reliance, by the evidence put in this paper, was a most probable product of the politico-economic developments taking place in the period prior to and around the Arusha Declaration.

#### Footnotes:

<sup>1</sup>The colonial administration did not make high level education a priority in Tanganyika. Partly as a consequence of this, no Tanganyikan was appointed to a prestigious civil service position. For example, none was appointed district officer until 1957. However it appears that this delay in recruiting Tanganyikans to these types of positions was also due to government's reluctance to put educated local people in the service even when they had become available (Pratt, 1976: 14-18, 266; Iliffe, 1979: 446).

<sup>2</sup> Early co-operatives included the Kilimanjaro Native Co-operative Union (KNCU) in coffee, formed in 1933, the Ngoni Matengo Co-operative Marketing Union (NMCMU) in tobacco, formed in 1936.

<sup>3</sup>The largest of the new type of co-operatives was the Victoria Federation of Co-operative Unions (VFCU), formed by cotton farmers in 1955.

<sup>4</sup>This point has been made for cotton co-operatives in Uganda too (Mamdani, 1976).

<sup>5</sup>The poor accounting systems of the co-operatives brought them into considerable conflict with the lending institutions based in the capital, since they did not keep good records of peasants who borrowed through them.

<sup>6</sup>Personal communication with some businessmen in Dar es Salaam and Mwanza.

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