

**This work is licensed under a
Creative Commons Attribution-NonCommercial-
NoDerivs 3.0 Licence.**

**To view a copy of the licence please see:
<http://creativecommons.org/licenses/by-nc-nd/3.0/>**

WORKING PAPERS

ZIMBABWE INSTITUTE OF DEVELOPMENT STUDIES

**Price Control As a Means of
Consumer Protection in Zimbabwe:
A Review of the Price Formation
System.**

S. Mupindu
L. Masuko

16



P.O. Box 880 HARARE

(211)

① Zimbabwe

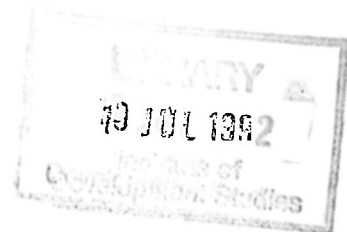
(A)

WORKING PAPER

Number 16

**PRICE CONTROL AS A MEANS OF CONSUMER
PROTECTION IN ZIMBABWE:
A REVIEW OF THE PRICE FORMATION SYSTEM**

by
S. Mupindu
and
L. Masuko



**ZIMBABWE INSTITUTE OF DEVELOPMENT STUDIES
HARARE, 1991**

© 1991 Zimbabwe Institute of Development Studies

P O Box 880

Harare

Zimbabwe

First printing 1991.

All rights reserved.

This Working Paper is a synthesis of the position papers presented at a workshop on Price Control and Consumer Protection held at the Park Lane Hotel, Harare, from 9th to 11th September, 1987. The workshop was jointly organised by the Zimbabwe Congress of Trade Unions (ZCTU) and the Consumer Council of Zimbabwe.

The authors, Shinga Mupindu and Louis Masuko, are research fellows with ZIDS. The views expressed in this paper are their own and do not necessarily reflect those of ZIDS.

LIST OF CONTENTS

LIST OF TABLES	iv
----------------------	----

Part I

A REVIEW OF GOVERNMENT, PRIVATE SECTOR AND TRADE UNION POSITIONS ON PRICE CONTROL

INTRODUCTION	1
THE ZNCC PERSPECTIVE OF PRICE CONTROL	1
Analysis of the ZNCC's Position	2
GOVERNMENT POSITION ON PRICE CONTROL	3
Analysis of Government's Position	4
ZCTU'S PERSPECTIVE ON PRICE CONTROL	5
Analysis of the ZCTU Paper	6
Some Factors Hampering the ZCTU's Effectiveness	7

Part II

PRICE CONTROL AND CONSUMER PROTECTION: OUR PERSPECTIVE

PRICE FORMATION AND FUNCTIONS	11
SHORT-TERM SOLUTIONS	13
LONG-TERM SOLUTIONS	19
INTERNAL PRICE FORMATION SYSTEM AND THE WORLD MARKET ECONOMY	20
BIBLIOGRAPHY	23

Part III

APPENDICES

APPENDIX I: Price Control in Zimbabwe: The ZNCC Perspective	26
APPENDIX II: Price Control in Zimbabwe: A ZCTU Perspective	28
APPENDIX III: Recommendations from the ZCTU/Consumer Council of Zimbabwe Joint Workshop on Price Control and Consumer Protection.	33

LIST OF TABLES

- Table 1: Real Wages as from 1980**
- Table 2: Purchasing Power of the 1980 Dollar for Higher-Income Urban Families**
- Table 3: Purchasing Power of the 1980 Dollar for Lower-Income Urban Families**
- Table 4: Minimum Wage Increases: 1980-1987.**
- Table 5: Agriculture: Employment and Earnings (1975-1984)**

Introduction

The purpose

of this

paper is

to

examine

the

role of

the

state

in

the

economy

and

to

assess

the

impact

of

price

controls

on

the

private

sector

and

trade

unions.

PART I

A REVIEW OF GOVERNMENT, PRIVATE SECTOR AND TRADE UNION POSITIONS ON PRICE CONTROL

Introduction

This paper has been written as a response to a workshop on price control and consumer protection held at the Park Lane Hotel from 9th to 11th September, 1987. Several papers were presented at this workshop which was jointly organised by the ZCTU and the Consumer Council of Zimbabwe.

The present paper therefore provides a synthesis of the insight of the position papers presented by the following parties with regard to price control and consumer protection:

- Government - Ministry of Trade and Commerce
- ZNCC - Private sector (CZI and EMCOZ were not represented).
- ZCTU - Employees' umbrella organisation.

While this paper provides a synthesis of the position papers presented at the workshop, it also gives an analysis of the three positions taken by the abovementioned parties and concludes by providing "our perspective" on price control and possible short as well as long-term solutions. Of all the consumer protection mechanisms, only price control will be dealt with in this paper. This stems from the central position of price control in the debate on the policy of Growth with Equity, i.e. planned economic growth and distribution of the national cake. It also follows that consumer protection from exploitation is conditioned by the degree of effectiveness of price control.

The ZNCC Perspective of Price Control

The ZNCC's definition of price control is that "price control is Government intervention to regulate price levels of selected produces and services as part of the macro-policy control".¹ The three outlined methods of price control are:

- Specific price
- Specific mark-up
- Ministerial approval.

They view the motive behind price control as that of complementing other economic policies to achieve overall objectives, e.g:

- Employment creation
- Inflation control
- Redistribution of resources
- Management of shortages
- Economic growth.

¹ Mandevhani, K., "Price Control in Zimbabwe: A ZNCC Perspective", Page 1.

In spite of the realisation of the positive move made by Government for the benefit of the entire economy, the position of the ZNCC was that as an organisation they are agreeable to price control insofar as it is one of the many policy controls Government relies upon in achieving its intended economic objectives. But the need to ensure that no "side effects" occur was expressed. It was emphasised in the stylish business diplomacy that if these were ignored business viability would suffer and so will consumers and workers and ultimately the Government.

The justification for the adoption of this position by the ZNCC is that:

- Price control suppresses and does not control inflation, giving an example that producers can reduce the quality of products to maintain their profit margins. It is also pointed out that this situation would lead to inflation when demand outstrips supply on account of artificially low prices;
- It reduces business profit margins, thus inhibiting:
 - Investment
 - Employment creation
 - Product extensions
 - International competitiveness.
- It is a burden to the fiscus as price monitoring inspectors have to be employed;
- There are bureaucratic delays as it can take time for price increase applications to be processed;
- It may not achieve its intended objectives, more so when no supportive sound policies exist;
- It leads to quality reduction to maintain profit margins.

As an overall solution to the question of controlling inflation the ZNCC provided short-term and long-term recommendations. These were drawn up with the conviction that the existing price control system had failed, adding that the two price freezes of 1981 and 1987 were enough testimony.

As a short-term measure, the ZNCC says the Government should control intermediate goods/raw materials and de-control the rest, i.e. let market forces control the final price of the commodities. And as a long-term solution, the Government should de-control intermediate goods and raw materials, and control should be exercised in the form of fiscus/monetary policy, e.g. taxing expenditure income and subsidising the recipients.

Analysis of the ZNCC's Position

To make a logical analysis of the ZNCC's position it is essential to understand that price control is one among some of the measures adopted by the Government to suppress the rising rate of inflation and to relatively protect the poor.

While the argument put forward by the ZNCC against price control is to a limited extent valid (that is, price control suppresses and does not control inflation), the supportive itinerary is not convincing enough to warrant the dismantling of the existing price control system. To support their argument, it is assumed that in order to maintain their profit margins the capitalists reduce the quality of products and following that, the prices would be kept artificially low. This is further supported by the assumption that in this situation

demand would outstrip supply. The assumptions only amount to bourgeois economic reasoning, for they mean nothing more than the drive for profit maximisation, which is the motive force behind capitalist production.

The recommendation that Government should control intermediate goods/raw materials and de-control the rest and that the final prices of goods should be left to the free market forces of demand and supply cannot by any means be a solution to the high rate of inflation that the economy is experiencing. In other words, the above recommendation would lead to an increase in the inflation rate with prices continuously increasing and the real wages decreasing. That is, the double-edged short-term recommendations by the ZNCC will only benefit the capitalist community while negatively affecting the toiling masses.

The implication of this move would be that the producers/manufacturers would get raw materials/intermediate goods at cheap controlled prices. This would obviously contribute to the reduction of the ultimate production cost of the goods. What would be most questionable and of national concern is whether the manufacturers and producers would charge prices affordable by the community in view of the ZNCC craving for increasing profit margins.

Obviously, many a bourgeois scholar would quickly point out to the fact that competition would force the prices down to affordable levels. But competition always overlooks the mechanics which maintain the "desired" balance between supply and demand within the parameters provided for by the anarchy of the capitalist economy. That is, this anarchical nature of competition under capitalist conditions renders a temporary character to the regulatory role of competition. The effects from whichever trend the competition would direct the market, that is, demand outstripping supply on one hand or vice versa, would permanently affect both the economic growth and the living standards of the masses of the people.

The recommendation that the Government should control inflation through the fiscus, i.e. taxing expenditure income and subsidising the recipients, falls short of serious consideration of the economic welfare of the community. What this recommendation simply means is that the burden of price increase is shifted to the consumer through taxation. Thus an increase in taxation on expenditure would mean an increase in the prices of the commodity to the consumer. A further increase in taxation on personal income would be followed by reduction in the purchasing power of the community.

The consumers would have to struggle against:

- Continued price increases that would have been left to the free market forces of demand and supply;
- Increased taxation which would lead to a further erosion of their purchasing power and/or diminishing of their real income.

Government Position on Price Control

The Government's position paper on price control highlighted that it controls prices to protect the poorer section of the population. Government believes that if prices are left to the free market forces of demand and supply the majority of the population would find many commodities beyond their reach. The paper cited five methods of price

control. These mechanisms used by Government are as follows:

- Prices of certain basic commodities are fixed. That is, the final fixed prices take into account the costs of producing the commodities at "reasonable profit margins" to producers/manufacturers, wholesalers and retailers.
- Minimum producer prices are fixed to protect agricultural producers against falling income due to bumper harvests.
- Application of certain stipulated percentage mark-ups or profit margins on the landed cost to the manufacturers, wholesalers and retailers before arriving at their selling prices.
- Prices of some goods may not be increased at the factory/wholesale level without prior or written approval of the Minister of Trade and Commerce, and;
- Approval of the cost calculation formula used by the manufacturers, wholesalers and retailers by the Minister of Trade and Commerce.

The following categories of goods are not subject to price control:

- Goods for export
- Goods sold by public auction
- Second-hand goods, other than used cars
- Food and drinks other than traditional and clear beer sold for consumption on the premises
- Eggs in the shell, fresh flowers, vegetables and fruits.

The order SI 743 of 1980 requires the retailers to display their prices to make it absolutely clear what the prices of their commodities are; and what additional sum will be added for hire purchase facilities. This is reinforced by price control inspectors and in some cases members of the Police Commercial Crime Unit carry out price control duties. In spite of the above methods to effect price control and coupled with them, the supportive staff; the effective implementation of the price control mechanism is still inhibited by several problems. These were identified as follows:

- Some traders lack the capability of carrying out costing exercises in order to determine their selling prices. In certain cases this has led to overcharging.
- Consumers are sometimes ignorant of their rights and hence do not report any cases of unfair treatment, e.g. overcharging, to the relevant authorities.
- There are few price monitoring inspectors due to financial constraints.
- Transport cost-determination for rural traders.

Analysis of Government's Position on Price Control

It is felt that the Government made a positive move in controlling prices, especially those for basic commodities to enable prices to be kept "stable" and "affordable" by the community. However, the mechanism of price control adopted has not addressed itself to the root causes of price fluctuations in the economy. Thus, if the Government could

control prices for raw materials/intermediate goods as well as the final prices of commodities, prices would be kept low and within the reach of the majority of the community. Much as the problem is related to the final price, its greatest weight is associated with the cost of production as will be explained in Part Two: "Price Control and Consumer Protection: Our Perspective".

The role played by the Government in price determination is very minimal. In essence, the producers/manufacturers set the pace in price determination by calculating the costs of production, with the Government coming in to apply "reasonable" margins of profit or a "certain stipulated percentage mark-up on the landed costs", or/and approval of prices which have already been determined.

With the marginal role of the Government in price formation, what might be termed "illogical processes" in an economic context have emerged. This is apparent from the words of the Governor of the Reserve Bank who says:

Local companies have been exporting at less than material cost, even at less than the cost of imported material content, something which is very hard to justify because if that company can maintain that type of export performance over a two or three-year period, one may ask how they can finance this... Companies who sign long-term agreements at less than material cost make one really wonder if they are still exporting or whether they are transferring resources...²

It would also be of particular interest to determine whether the Government in considering price-controlled goods takes into account the income of the community. What yardstick is used to classify a commodity as a basic commodity to avoid a situation where low-income consumers end up being restricted to certain types of goods? This situation would arise simply because some goods are not affordable because they are not price controlled.

It is from the above that the class character of the current price control system is apparent. That is, the minimal involvement of the Government in the process of price formation provides the capitalist economic bloc with enough discretionary powers to tilt the balance to accord with the interest of the bourgeois and the petty bourgeois class.

ZCTU's Perspective on Price Control

The ZCTU made a fairly critical analysis of Government policy and price control which is defined in the function of the Prices Board and Price Control Committee. These are listed as follows:

- Advising the Minister of Trade and Commerce on matters relating to the price control system.
- Checking on any profiteering elements in prices or exploitation of the public while at the same time ensuring that firms remain profitable and viable; and
- Checking that essential basic commodities are available to the masses of the people at reasonable prices.

² Abstracted from Halimana, M.C.: *Industrialisation in the Context of Liberalisation: Issues for Zimbabwe in the Coming Decade*.

The workers' umbrella organisation query the second and third functions of the Prices Board and Price Control Committee. Their contradiction under capitalist conditions tends to be antagonistic, forcing the Government to provide (in the early stages of the implementation of the Act) consumer subsidies. It was also pointed out that, yielding to pressures, the Government of late had tended to increase producer subsidies while deliberately reducing consumer subsidies (see ZCTU paper in Appendix II). The reduction of consumer subsidies has created a sad scenario as regards the precarious balance between the provision of basic commodities at affordable prices and at the same time maintaining profitability. It therefore seems that the solution to this contradiction has been found in the piling of misery on the shoulders of the already suffering masses.

The ZCTU argues that inflation has eroded the purchasing power of workers as prices have shot up while real wages have decreased. Thus, the organisation advocates for the restoration of the value of labour power which has persistently been estranged from the masses of the workers. The worker organisation further advocates for effective implementation of price controls and a general widening of the controls to include all items in the PDL.

The ZCTU's recommendations are contained in the paper "Price Control in Zimbabwe: A ZCTU Perspective" (see Appendix II).

Analysis of the ZCTU Position

The ZCTU paper takes a positive direction in that it analyses price control as a Government policy which should not be taken in isolation without consideration of how the workers are estranged from the produce of their labour. It has been pointed out that this leads to the general degeneration of the value of labour power. The argument put forward by the ZCTU that an analysis of Government's ability to influence prices to the extent that basic commodities are affordable by the majority of the people on the one hand and maintaining profitability of producers on the other hand is contradictory, and thus needs a more in-depth examination.

To be content with the more general conceptualisation of economic terminologies results in trivialising the categories of "affordability" and "profitability" in capitalist conditions. That is, the solution to their contradiction lies with the control of and the direct participation of the Government in the whole process of price formation especially its conscious involvement in the determination of cost of production, a task which is impossible if the ownership remains private. The functions of the prices and their relation with the subsidies, both to production and consumption, should be explored in this regard. This would create a situation whereby the relationship between these two categories becomes compatible in a complementary form rather than the reconciliatory approach currently being used. This is only to deceive those who are not involved in the use of quantitative methods and exploit the efficiency of computer technology. The answers are obvious as profitability will remain the priority area over affordability. Obviously, it would take a long time for a worker to feel the effects of this relationship on his personal budget and trace its origin.

The argument that the withdrawal of consumer subsidies has led to lack of financial cushioning of the lowly paid, the peasants and other sectors of the lower strata features as an important starting point in the whole debate on subsidies, their source and direction. The statistical/quantitative information reveals that currently the purchasing

power of the consumers has been eroded as prices have continued to rise and subsidies to consumers have been withdrawn (see ZCTU paper, Appendix II).

The ZCTU in their search for the restoration of the lost values in the life of the working people were justified to recommend as a short-term measure that the Government has to consider the Riddell Commission recommendations (1981). The commission recommended that wages should be adjusted to the PDL level over a period of time, and then be adjusted in money terms as the prices of the components of the PDL change.

Some Factors Hampering the ZCTU's Effectiveness in the Tripartite Structures

Zanu-PF as the ruling party is committed to scientific socialism based on the Marxist-Leninist principles and is solemnly and irrevocably committed to the establishment of a socialist society. Zanu-PF is ardently convinced that the workers should play a leading role in the struggle for the establishment of a new socio-economic order.

The Labour Relations Act 1985 was intended to democratise labour relations and foster worker unity in clear recognition of the historic role of the working class in socialist revolution. The then Minister of Labour, Cde Frederick Shava, in relation to the Act, said:

In drafting the Bill, the Government was guided by the need to give workers their rightful and historic role in the Society and the economy...The Bill does in essence ... clearly recognise the critical importance of the workers...the producers of wealth...a role denied by the previous and successive colonial regimes in Zimbabwe.

The Act provides a bold pronouncement of the fundamental rights of workers which are set out in the main as:

- Entitlement to membership of Trade Unions
- Entitlement to membership of Workers' Committees
- Fair labour standards
- Democracy in the workplace
- Protection against various forms of discrimination.

In the preamble to the Act, State paternalism is indicated to protect the workers. The question becomes whether or not the Act does, in fact, realise the objective as stipulated by ZANU-PF and as supported by Cde Shava in the quotation made earlier on, given State paternalism towards workers (Trade Unions) as stipulated in the Act.

Strikes as a form of workers' struggle for economic emancipation are viewed by many as an essential tool to safeguard workers' interests. The provisions of the Act as regards the right to strike are so complex and so subject to the Ministry powers that it is not unreasonable to conclude that under SI18 of the Act workers do not have the power to strike. It is known that in any economy the law is determined by economic relations. Those who are economically stronger are the ones who determine to a large extent the nature and character of the law. The Labour Relations Act is operating in a capitalist society and therefore the rights that it gives to workers are only those that the capitalists are in a position to exploit to their own benefit. However, contradictions in the economy are approaching unprecedented levels, as the political independence alone is being completely undermined by the capitalist economic power. There was a need to explain

what political independence without economic power means in a capitalist society, rather than "protect" the workers from capitalist exploitation. The effects are quite apparent now.

As the growth of the economy gradually shrinks (and the bourgeoisie at the centre of the trend) the workers' position is in the same degree gradually eroded. The degree of erosion which is felt most at the household level has been depicted quantitatively at national level by unemployment statistics. While inflation has its toll on the lives of the workers, the redistribution of the "family cake" at the household level generates much heat in the debate on the workers' struggle for a new socio-economic order.

The redistribution of the household income between workers and their unemployed family members (immediate and extended family) which is by virtue of its "nature" a social procedure, further weakens the workers' initiative and working morale. The increase of pressure on the workers in the final analysis ends up in the collective act by workers confined at first in those areas of work where the pressure is felt most. This process whose objectivity lies in the proper economic conditions prevalent in a given historical perspective can develop and affect the entire economy. In this case the Act as an instrument of law would provide an avenue to direct confrontation between the patron and the client.

This conclusion is drawn from the fact that the paternalistic relation between the Government and trade unions (ZCTU) has demobilised the latter's power to engage in constructive criticism of the former. This paternalistic relationship is reflected in the Act as has already been discussed.

The private sector, on the other hand, still holds the "Does" or "Don't" grip on the economy. This automatically makes them more influential on the bargaining platform as compared to Trade Unions. Obviously, this situation forces the ZCTU to blindly follow in the tracks of the Government resulting in the weakening of their bargaining power and the neutralisation of their basis for constructive criticism. While the Act gives a theoretical recognition of workers' rights it facilitates the practical realisation of employers' interests. While at first impression the Act seems to give provisions to advance the interest of workers this cannot happen as long as the capitalist nature of the economy still exists. It follows that the existence of the capitalist economy is conditioned by the bold fact that the Government has an interest in the "efficient production and smooth running of the economy". This militates against any effort to promote the rights of workers if productivity is likely to suffer.

The relationship outlined above between the State and the Trade Unions has gone so far as to sacrifice the economic growth and social well-being of the working people.

There is no doubt then that the high cost of planning in relation to its benefits, which are attributed to the large number of uncertainties and uncontrollable factors, is due in part to this elder and child relationship, before a strong and charging private sector and to the central uncertainty of whether an organisation will follow its own rules. To clearly and separately define the operational areas of the Government and the ZCTU in this perspective is to cut the cost of planning to a degree sufficient to justify continued planning.

This central method of economic management is currently an elite speciality explicitly pursued in the interests of the masses. Thus it can be concluded that the effect of planning by inaccessible elites is a denial of human rights and a limitation on human potential. To eliminate these effects of elitism, it is necessary to enforce mechanisms which allow for a widespread participation in the planning process. The purpose of such participation is to guarantee the self-interest of those for whom the planning is pursued (i.e. the masses), that is, development goals must be formulated in consultation with those whose co-operation is most essential in achieving the goals.

The ZCTU, therefore, should make a break from the comfort provided for by the paternalistic relations with the Government and play its role as a workers' organisation. Methods which press for workers' participation in the operations of their respective enterprises should be looked into seriously. The workers should be conversant with the realities surrounding them, i.e. the production process.

This is more powerful and qualitatively superior a weapon, with much relevance to the current socio-economic situation. The understanding by the workers of all different indicators involved in production, distribution, exchange and consumption would help them present a co-ordinated interpretation of the dynamics of productive and social life and be convinced then, and only then, that strikes as a form of economic struggle hinder production and thus economic growth.

Effective participation in decision-making at enterprise, sector and national level by the workers enhances the development of their management skills and bargaining powers. What is hindering the ZCTU from comparatively effecting its role and hence its subordination to the Government is the lack of information on the functions, organisation, management and operations of the enterprise.

Monopoly of company information is a major and quite often a decisively deadly weapon at the disposal of the employer. Workers don't have access to employers' exploitation mechanisms and wealth-amassing secrets. As long as workers do not have the knowledge and capacity to divulge or understand information pertaining to the enterprise, the whole collective bargaining machinery is reduced to a complete mockery and the two parties can never be said to be on equal footing, which is a pre-condition to genuine collective bargaining.

Although the top-bottom, bottom-up structure was established in early 1980, little has been done to enforce the participation of workers in running the affairs of the economy.

PART II
PRICE CONTROL AND CONSUMER PROTECTION:
OUR PERSPECTIVE

Price Formation and Functions

Cost of production as the base for the formation of price will be discussed in the forthcoming section. In this section a brief analysis of the price formation system and the functions of prices will be made.

Prices are considered here as the monetary expression of the value of commodities. The degree of validity of this statement depends on the concrete socio-economic conditions in which the prices are formed, i.e. the pricing policies, the authenticity and reliability of the price formulation base. These objectives could be achieved by means of prices through their different functions.

The functions of prices are:

- Planning and calculation
- Production/consumption
- Stimulation; and
- Distribution and redistribution.

The diverse and productively variable character of labour can only be reflected by a common index of value. Thus, through the function of planning and calculation, the prices serve as an element of measure and calculation of all distinct economic indicators. That is, the prices serve more or less as a measuring instrument of the value of the units of production. This is conditioned by the fact that they should reflect the socially necessary labour cost in the production of goods and services. It then follows that the more ameliorate and precise the prices are the more they reflect how it cost the society to satisfy the social needs and hence the more reliable and plan-worthy the economic calculation base. Thus, the whole planning process and the projection of the economic activities and the co-ordination of the sectoral components would be based on more accurate and concrete information.

The active role of prices in the development of the economy is mainly in stimulating production and consumption. The essence of this function of prices consists in stimulating or destimulating the production and consumption of different types of products, i.e. the prices in this case influence positively or negatively both production and consumption.

Prices exercise their influence in production through the magnitude of profits. In other words, the prices should be "reasonable" to compensate the cost of production and to guarantee a defined margin of profit. Thus, the formation of prices should rest in a series of principles in correspondence with the economic elements which compose it, i.e. the production costs and the profit margin. And the cornerstone to resolving this issue consists in deciding the level of costs which should be taken as the base for calculating the prices. This can result in the conscious reduction of the cost margin of one product or range of products and adding to the cost of another, thereby reducing and increasing the prices of these products respectively.

By virtue of some technical, organisational, and management and other peculiarities encountered in a particular enterprise or sector, the real cost of a product could considerably increase owing to excessive productive resource expenditure. That is, if prices are established on this assumption then, unfortunately, the prices would increase. It is from the above economic fact that the process of price formation should be substantiated on the planned production costs, calculated over and above the base of properly argued expenditure rates. Thus, average sectoral expenditure rates should be used.

In the last instance, it should then correspond with the Ministry of Trade and Commerce or any central organisation (vested with the task of price formation and monitoring) to influence the direction of production through the stimulating and destimulating action of prices. This is pursued through the differentiation of the levels of profits in the prices of different types of products. With respect to consumption, the influence of prices takes place principally through the correlation levels of the prices of those products which are mutually substitutable. The Ministry should then orient the consumption towards those products which it would like to see produced. Thus, with this, they stimulate or destimulate the use of one type of product or a complete range of products.

The distribution and redistribution of the national income is one of the functions of prices. It is supposed, firstly, that the national income is formed initially as an income for the workers in the form of salaries and as profits for different enterprises, i.e. State (public consumption); private sector (bourgeoisie consumption) and accumulation. Thus if the prices of products coincide with the value of the products then the magnitude of the national income produced and realised should coincide and in this case there is no redistribution of the national income between the sectors. Only distribution as a function of prices takes place, i.e. the products produced in one sector remain in that sector regardless of the form this takes (physical or value).

Redistribution of national income exists and is manifest when the prices are diverted from the value of one product or the other. This is typical in the case where some sectors trade their products for a value superior to the produced value and other sectors selling at a value less than the value produced. This usually occurs also as a result of the stimulation policy adopted and towards which products. That is, the former sector appropriates part of the profits produced in the latter sector through the action/movement of prices and therefore redistribution of the national income within the economy exists, i.e. from one sector to the other.

This is tantamount to a conscious manipulation of prices with the aim of raising the standards of living of the workers and stimulate those areas or sectors of production which are of ranked priority to the integral development of the economy. It might seem that there is a relative contradiction between the functions of prices, i.e. that of planning and calculation and the latter two, given that these take place within the same time framework. But, although this might be so, planning and calculation as a function of prices remain the determining factor in the whole process of price formation and their subsequent manipulation.

Short-Term Solutions

The Government has since independence adopted measures to control the rising rate of inflation, some of which are:

- monetary and fiscal policies.
- institution of the price control system.
- income restraint policy since 1982.

The relations of production for the Zimbabwean economy are capitalist. The product of labour is alienated from its producer and it has become elusive to obtain under the conditions of general degeneration of the value of labour power. The value of labour has continuously been decomposed. This paper seeks to come up with some of the methods the Government can use to recompose the value of labour power which to date has been overwhelmed by inflationary pressures.

An indication of the erosion of purchasing power can be obtained by using the consumer price index as a yardstick to assess whether prices are rising in proportion to wages. It would give a rudimentary picture of the degree to which consumer prices have changed in a given period for the urban groups. The extent to which wage levels have risen in comparison with the consumer price index determined whether incomes have risen, fallen or remained constant. However, in using the CPI it is important to note that it has its own limitations and criticisms, e.g. the Zimbabwean CPI is compiled in light of data obtained from higher and lower income urban families. Rural families, which are supposedly the most vulnerable, are not included.

This boils down to what Shopo and Moyo observed in 1986, thus:

Rural labourers have, throughout the modern agricultural history of Zimbabwe, lived on the margin of subsistence, if not existence. The somewhat fallacious argument has been put forward by neo-classical economic historians that since agricultural labourers were paid a substantial part of their wage in customary kind forms, such as mealie-meal, salt and beans, they have not to that extent suffered real income declines in periods of recession or inflation.³

Also in cases of slumps and booms the CPI would provide inappropriate comparison as a yardstick as the CPI would go by the economic situation prevailing at the time. Another shortcoming is that the range of items covered in the CPI is small.

In spite of the above reservations on the use of the CPI as a yardstick it still remains as the only available instrument for assessing changes in the cost of living. If one makes a comparative analysis of the increase in the consumer price index and the minimum wage, one obviously concludes that the wage increases have been lost through an erosion of the purchasing power resulting in the continuous decomposition of the value of labour. To highlight the rate at which incomes are being eroded, Tables 1 and 2 show the impact of inflation on minimum wages in commerce and industry for the period 1980-1987.

3 Shopo, T.D. and Moyo S., "Vulnerable Working Households in Zimbabwe's Segmented Labour Markets". Working Paper No. 5, Zimbabwe Institute of Development Studies.

Table 1
REAL WAGES AS FROM 1980

Year	CPI	NW	\$	NWI	RW	\$	RWI	Variations
1980	100,0	70		100,0	70,00		100,0	0,0
1981	113,1	85		121,4	75,20		167,4	7,4
1982	125,2	105		150,0	83,90		119,8	19,8
1983	154,1	115		164,3	74,60		106,6	6,6
1984	185,2	125		178,6	67,50		96,4	-3,6
1985	200,9	143		204,3	71,20		101,7	1,7
1986	229,7	158		227,7	65,50		98,3	-1,7
1987	264,8	158		223,7	59,67		85,2	-14,8

Key to abbreviations used in Table 1:

CPI = Consumer Price Index

NW – Nominal Wage

NWI = Nominal Wage Index

RW = Real Wage

RWI = Real Wage Index

Table 1 above shows that the consumer price index has constantly been increasing, but the real wage index is constantly decreasing. Whilst the nominal wage has been increasing, the real wage has been decreasing.

The real wage reached its peak in 1982 and thereafter it has been declining. The obvious implication is that the little increases the workers obtained have been eroded through inflation. On the average, prices in 1987 were more than double the prices for 1980. Prices for 1987 went up by 164% as compared to prices for 1980. The high levels of prices for foodstuffs between 1983 and 1986 and inflation at 20% and 19,7% for June and July 1987 clearly show the pressure inflation bears on the lowly paid, more so when one considers that foodstuffs account for at least 55% of their income.

Whilst the increase in the consumer price index has led to the erosion of the real wages as is shown in Table 1 it has also had adverse effects on the purchasing power of the dollar. Tables 2 and 3 below show the effects of the increase in prices on consumer purchasing power for higher and lower income urban families respectively.

Table 2
PURCHASING POWER OF THE 1980 DOLLAR FOR HIGHER-INCOME URBAN FAMILIES

Year	CPI	Purchasing Power for the Z\$
1980	100,0	100,00
1981	114,6	87,26
1982	135,1	74,01
1983	158,1	63,29
1984	177,7	56,27
1985	195,3	51,20
1986	222,8	44,88
1987	252,8	39,65

Source: Computed from CSO data on CPI.

Table 3
PURCHASING POWER OF THE 1980 DOLLAR FOR LOWER-INCOME URBAN FAMILIES

Year	CPI	Purchasing Power for the Z\$
1980	100,0	100,00
1981	113,0	88,49
1982	125,2	79,87
1983	154,1	64,89
1984	185,2	53,99
1985	200,9	49,77
1986	229,7	43,53
1987	264,8	37,77

Price Index
 ✓
 *

Source: Calculated from CSO data on CPI.

The rate of increase in prices as compared to the rate of increase in wages shows that the CPI is increasing at a faster rate comparatively. Table 4 below shows the minimum wage increase as from 1980.

Table 4
MINIMUM WAGE INCREASES: 1980-1987

Year	Domestic & Agricultural Workers	Commerce & Industry
1980	30	70
1981	50	85
1982	50	105
1983	55	115
1984	65	125
1985	75	125
1986	85	158
1987	85	108

Source: Minimum Wages Statutory Instruments (Ministry of Labour, Manpower Planning and Social Welfare). Various years.

Thus real minimum wages have been on a downward trend. On a sectoral basis, for example, in the agricultural sector Loewenson (1986) in her study observed that while nominal earnings in the sector rose from Z\$149,7 million to Z\$1 285 million, or by 90%, in 1984 the rising cost of living for the low-income groups implied that real wages had not increased since 1982 and that they have, in fact, shown a decline. One can conclude, therefore, that despite the apparent increase in nominal earnings in the sector (from a minimum wage of Z\$30 a month in 1980 to Z\$85 a month in 1987) when related to the cost of living these earnings, in fact, show a decline in real terms, hence the Z\$10-15 rise per year does not match rises in productivity. Table 5 shows the overall real earnings and real wages in relation to production.

Table 5
AGRICULTURE: EMPLOYMENT AND EARNINGS (1975-1984)

Year	Employment (000s)	% of Total	Earnings (\$m)	% of Total	Output (\$m) Current +	% of GDP
1975	363,8	34,6	93,4	8,9	362,7	19,1
1976	356,1	34,4	103,2	8,9	383,0	18,6
1977	348,2	34,4	112,2	9,0	393,4	19,0
1978	341,4	34,6	120,1	9,0	409,8	18,9
1979	335,2	34,0	137,8	9,2	410,0	16,1
1980	327,0	32,4	149,7	7,9	565,5	17,5
1982	274,3	26,2	252,0	8,0	808,7	14,4
1983	263,5	35,5	279,5	-	802,6	15,8
1984*	260,0	25,0	-	-	-	-

Notes:

+ *Excludes Communal and Resettlement Sector*

**Estimated*

Source: CSO; Calculated from Quarterly Digest of Statistics.

As a short-term measure to the effectiveness of price control, it is recommended that the recommendations by the participants to the workshop, which are contained in Appendix I-III of this paper, be adopted for implementation.

In addition to the recommendations we also endorse the ZCTU's recommendation that prices should not be determined in isolation from wages. Wages should be increased to the Poverty Datum Line, and the PDL should be adjusted to the Consumer Price Index now and again.

In the case of the peasantry, agricultural commodity pricing is such that tobacco is the only principal crop whose price is not set by the Government. The producer prices for the other principal crops are determined by the Government. The maximum selling prices of most of these crop's products are also determined by the State. Controlling consumer prices for these products protects the incomes of the peasants as in most cases these products are basic commodities necessary for survival. However, a problem with regard to this protection arises as high agricultural producer prices tend to lead to high prices in the final products from the agricultural sector. The Government could, therefore, provide subsidies, to cushion consumers' incomes. However, problems are likely to be encountered in this case as the functions of prices have not been realised and therefore applied in the formation and stipulation of prices for the different products and for the benefit of different groups of people.

Lessons could be drawn from the Hungarian situation with regard to the relationship between price rises and subsidies:

There will be a big increase in the prices of basic consumer goods in Hungary next year... In 1988 the level of consumer goods prices will increase by 15 percent and food prices by an average of 10,7 percent. Hungarians will have to increase spending on the average by up to US\$11 per month. To guarantee the basic needs of all social strata the Hungarian government will also take measures to raise welfare payments, with subsidies from the central government increasing by 22 percent and local governments contributing US\$10 million for welfare aid... Pensioners, the handicapped and large families will receive financial aid to compensate for price increases.⁴

Taking into account that agricultural products constitute a greater proportion of the raw materials used in the manufacturing sector on the one hand and basic consumer products on the other, the stipulation of certain stimulating producer prices has a direct impact on both consumers and producers as stated above. Thus, if the prices are based on authentic and reliably calculated levels of costs then the degree in which the dependent sector and the consumer would be affected can genuinely be assessed. Then this could be offset through subsidies to both production and consumption.

It follows, therefore, that the increase in producer price should be pursued after assessing the reaction of other economic indicators and the behaviour of the social barometer. Failure to engage in the systematic approach would lead to a sad scenario as the US recent case following a rise in the producer price for sugar farmers shows:

Americans are paying more than twice the world price for sugar because of what growers call necessary government price supports...The arrangement has US consumers paying 18c or more per pound for sugar. The world price is about 8,5c. The higher price, propped up by the US government, is strongly defended by the nation's 10 000-plus sugar growers. They say Federal help is all that keeps them from being wiped out by unfair world competition. But critics say the system is a textbook example of "special interest" legislation that is costing consumers up to 3 billion US dollars a year or US\$100 for the average of four".⁵

The exposition presented above is reinforced by the fact that currently the Department of Social Welfare (under its Public Assistance Scheme) provides allowances to a limited number of people. The Public Assistance Scheme should be expanded to cover a wider spectrum of people and their allowances should be adjusted according to the cost of living. In the case of the unemployed, the National Social Security Bill that the Ministry of Labour, Manpower Planning and Social Welfare is working on could expand its coverage to include the unemployed. To achieve these goals it implies that the Government has to establish a reserve fund to finance these proposals. An income redistributive mechanism should be implemented through pricing, incomes policy and subsidies.

These, however, are only short-term recommendations which only superficially address themselves to the problem. While we recommend the adoption of the afore-mentioned recommendations, we strongly recommend that long-term mechanisms to the problem of price control and consumer protection be looked into.

4 "Consumer price rise in Hungary", *The Herald*, December 29, 1987, p.9.

5 "Sweet deal for US sugar growers", *Ibid.*, p.9.

Long-Term Solutions

Price control as a means of insulating the economy from inflation can only be influential if it takes into account the root causes of price fluctuations. This entails the implementation of an economic reform programme and thus a re-organisation of the price formation system should take into account the following:

- Stretching of prices as incentives in developing technological processes and raising the efficiency of social production.
- Successive approximation of price levels to socially necessary labour costs.
- Establishment of a much closer connection between the practice of price formation and the aims and tasks of macro-economic planning.⁶

The degree of effectiveness of price control and consumer protection as a protective measure should be understood in their complementary level of relationship. The key monetary indicators of costs, profit and price are essential in order to capture the modalities which underpin the relations networks between price control and consumer protection. Planned cost calculations provide for the rational use of material, labour, financial resources with a view to achieving the target volumes of production and sales with the least cost or conversely ensuring the greatest volume of production and sales given the amount of resources allocated.

The object of the analysis of price control in our perspective is therefore the cost of production. This constitutes a major and determinant factor in the fixation of prices or the determination of the maximum prices charged (controlled prices). In other words, the methods applied to calculate the production costs at all levels constitute the major criteria for assessing the effectiveness of price control and thus the degree to which consumers are protected. Based on this assumption the correlation between price control and consumer protection could be direct or indirect depending on the context in which it is analysed.

Our departing point from the Government's price control mechanism in this analysis is that consumers should be protected not only by monitoring the violation of price control regulations, but that the consumer should be protected right from the enterprise. This entails Government monitoring or participation in the calculation of the cost of production from the initial stages of the production process to sector and national levels. This would mean that producer prices for raw materials and intermediate goods have to be controlled and determined by the State.

The marginal productivity theory notes that an increase in productivity exerts a downward pressure on prices and an upward pressure on wages.⁷ The understanding of the mechanics should be based on the analysis of the existing level of costs and of those factors that exert a decisive influence on their formation in the base period and an assessment of possible reserves for making economies. A planned price formation system as a method of control is advocated for in this paper. The formation of the "planned price system" would be inter-related with the entire system of the economic levers used in the centralised management of the economy.

6 Berri, L. Ya; *Socialism Today: Planning A Socialist Economy*, P. 214.

7 Perlman, Richard: *Wage Determination: Market or Power Forces?* p.55.

The mechanics of effecting the system would necessitate an evaluation of the effect of the most crucial factors on the movement of costs in a defined/determined plan period. This should be considered together with a generalisation of information obtained regarding changes in the various standard costs and calculations of the long-term level costs. This would determine the future development trend of the costs of production and thus the prices.

Our perspective highlighted in this paper is centred on the fact that price control as a means of insulating the economy from inflation can only be influential if it takes into account the root causes of price fluctuation, i.e. both on the international scene and the domestic economy. For price control to be effective it has to be effected from the initial stages of the production process. This would mean that producer prices for raw materials and other producer prices have to be controlled.

It is on this basis that we strongly recommend that as a first step towards the implementation of this recommendation a commission or a study team be set up to closely examine producer prices in the private sector.

This can only be done if the State sector is first developed through expansion or/and nationalisation of key sectors and the application of socialist principles of management to consolidate the public sector. The information obtained would then be used to determine the authenticity and reliability of producer prices presented to the Government by the private sector. The setting up of the Commission of Inquiry into Producer Prices would provide basic information into the determination of the most effective price control mechanism which would take into account the root causes of price fluctuation.

Internal Price Formation System and the World Market Economy

Price control cannot be dealt with in isolation from imported inflation. The question of how the economy can be insulated from imported inflation, especially where raw materials and intermediate goods are imported, is quite important. There is a link between foreign trade prices of goods and prices of goods manufactured from imported raw materials. The 1982 and 1987 price freezes have seen the problem of manufacturers increasing prices, justifying their increases on the increase of prices of imported raw materials, spare parts, machinery, etc.

The exposition presented above dealt with the internal price formation system and its organisation. The role and significance of the three financial categories of cost, price and profit were highlighted and a brief explanation of the functions of prices has been made. All this contributed to the conclusion that price formation for individual enterprises, sectors or regions is not representative of the national interest unless it is integrated into a system which takes into account the mutual interrelationships and encompasses the entire economy.

The internal price structure has been deliberately isolated from the global context in which it operates only for the purpose of analysis. In this section the pricing system should be seen in an international perspective. The importance of this approach is that the "world market" pricing system has since (especially from the early 60s) had crippling effects on the national economy. This is also conditioned by the economy's dependence on this so-called world market.

Given the restructuring of the financial categories, the State is called upon to exercise a conscious and calculated monitoring of the interrelationships existing between these categories and the "world market" price formation system. To this end, a systematic and organic forecasting machinery should not only make abstractions on the most obvious connections. These can be defined in terms of the necessary equalities between exports from one country and imports from other countries, capital flows from other countries and capital inflows to one country, migration of labour, the relationships between exchange rates of other countries and the corresponding rates in one country, interrelationships between prices through the "world market", etc.

As is expected, foreign trade prices are determined by a simultaneous interdependent set of relationships between all trading countries, each country contributing its own elements of domestic inflation to world trade price trends but each country's domestic inflation also being influenced by international trends. The relative importance of domestic and international influences depend on the size and degree of openness of the domestic economy. In the case of Zimbabwe, international economic influences are considerably more powerful than domestic.

These abstractions merely describe what exists and do not provide an articulated analysis of the likely impact of these connections on the working man in a factory, on the consumer of non-traded goods, i.e. on the internal pricing system. Without this analysis, which is only possible in the presence of an integrated internal pricing system, no solution to the internal problem is possible, whatever the extent of humanitarian tinkering.

Making a point on the extent and complications involved into these connections Johansen puts it as follows:

In plan elaboration in most countries very much of what happens in other countries, or on the "world market" is taken as exogenously determined. From an overall point of view this is, of course, not the best presentation of the actual mechanism. In the first place, some of the "exogenous" variables from the point of view of one country are endogenous from the overall point of view where the interactions are taken into account. This means that they are in principle also influenced by what happens in the first country itself. Secondly, some exogenous variables from a point of view of one country, are economic-political instruments. These are then more truly exogenous from the point of view of a country not in command of these instruments, but the most realistic representation would in many cases be to consider them as possible actions of other players in the game.⁸

The relevance of the cited paragraph to the Zimbabwean economy which is linked to the "world market" by the dominating international finance capital is obvious. The predominance, by these transnational corporations, of the economy is a condition which forces our inorganic economies (and other Third World economies) to depend mostly on the exportation of primary goods/raw materials. The prices of the raw materials are obviously determined by the transnationals who by virtue of their economic power "control" and influence the behaviour of the market.

This is not a one-way relationship. The Zimbabwean economy depends mostly on imported intermediate goods and technology. And the transnationals are undoubtedly the main actors in this second relationship as was the case in the first. They fix monopolistic prices which do not in any way match those for raw materials from the

8 Johansen, Leif; *Lectures on Macro-Economic Planning, Part I: General Aspects*, p.217.

Third World countries. These links leave the internal structures and the functioning of the economy vulnerable to uncontrolled factors of the international economy. This would to a greater extent determine the resulting state of the local company. This vulnerability can principally be attributed to the low level of utilisation of local raw materials which further explains the degree to which the backward and forward linkages are developed in this country.

But as Halimana (1987) observes, many of the problems in this regard can be attributed to the discretionary powers of the economic giants:

The heavy preponderance of capital and intermediate goods in imports shows the limitations of the manufacturing sector as it is "structured" now. Some of these imports only need relatively simple processes, most of which are readily available in Zimbabwe.⁹

This also defines the role of transnationals in transferring part of their inflation to our economy. While cheap labour is an attraction to transnationals it is also a condition for their continued exploitation of Third World countries' resources. Governments have been forced to subsidise corporations against the "rising labour costs". The "rising costs", in actual fact, are a result of the imported inflation which is then unconsciously transferred (by internal actors) to non-traded goods; most of which constitute the basic food basket of the workers. In the case of Zimbabwe where subsidies to the consumer are continuously being scrapped, the situation is a lot more dramatic.

There are the transnationals which are subsidised from the inflation which they actually create at both the international and local level. They are the main actors in this game and the masses of the working people only constitute a marginal factor.

On the exportation of inflation, Castro in *The World Crisis* wrote:

In recent years it has been possible to note, first of all, Third World subordination to the general trends in the developed capitalist world, which passes on the effects of the crisis to the weakest countries.¹⁰

He continues:

This is particularly evident in the inflation rates which grew 15 percent more in the non-oil-exporting underdeveloped countries than in the market-economy developed countries in the 1974-75 period. Inflation imported by means of the international monetary and trade system has become an erosive factor in the deteriorated Third World economies which, except in the case of the oil-exporting countries, do not have any defence mechanism to counter even partially these negative trends. Similar conclusions may be drawn from the deterioration in the terms of trade, which dropped by 15 percent in the non-oil-exporting countries in the 1974-75 period.¹¹

The gap between the prices at which the transnationals appropriate our raw materials and the prices at which these transnationals sell their products to Third World countries (Zimbabwe included) clearly explain the relationship which exists between the North and the South. It also points to the need for a more co-ordinated assessment and calculation of the national levels of the cost of production and the subsidisation of production (when it is justified) and the consumers at all levels.

9 Halimana, M.C., "Industrialisation in the Context of Liberalisation: Issues for Zimbabwe in the Coming Decade".

10 Castro, F., *The Third World Crisis: Its Economic and Social Impact in the Underdeveloped Countries*, p.31.

11 Castro, F., *Ibid.*, p.31.

BIBLIOGRAPHY

1. Anchishkin, A., *The Theory of Growth of a Socialist Economy*, Progress Publishers, Moscow, 1977.
2. LA INFLACION EN EL CAPITALISMO CONTEMPORANEO, Editorial Progress. 1984.
3. Berri L, Ya; *Planning a Socialist Economy*. Vols. I and II, Progress Publishers, Moscow, 1977.
4. Perlman, Richard; *Wage Determination: Market or Power Forces?* Greenwood Press Publishers, Westport, Connecticut, 1977.
5. Johansen, Leif; *Lectures on Macro Economic Planning, Part I: General Aspects*. North Holland Publishing Company, Amsterdam, 1977.
6. Khatkhate, Deena; *National and International Aspects of Financial Policies in LDCs*. Pergamon Press, Oxford, 1982.
7. Castro, Fidel; *The World Crisis: Its Economic and Social Impact on the Underdeveloped Countries*. Maroon Publishing House, Morant Bay, Jamaica, 1984.
8. Weinstein, Jay; *Sociology/Technology: Foundations of Post-Academic Social Science*.
9. Cable, Vincent; and Persand Bishnadat; *Developing with Foreign Investment*. Published in the USA by Croom Helm, 1987.
10. Cohen, G.A.; *Karl Marx's Theory of History: A Defence*, Princeton University Press, 1978.
11. Loewenson, R. Chitapi, T.; "Legislation Affecting Agricultural Plantation Labour in Zimbabwe".
12. Marx, Karl; *Wage Labour and Capital* (Translated from the German edition of 1891 by Progress Publishers), Moscow, 1985.
13. Lenin, V. *On the So-Called Market Question* (Translated by Progress Publishers), Moscow, 1981.
14. Clarke, D.G.; *Agricultural and Plantation Workers in Rhodesia*. Mambo Press Occasional Papers, Socio-Economic Series, Mambo Press, Gweru, 1977.
15. Mansfield, Edwin; *Microeconomics: Theory and Applications*. New York, 1979.
16. Riddell, R and Harris, P.; *The Poverty Datum Line as a Wage Fixing Standard*, Mambo Press Occasional Papers, Socio-Economic Series, Mambo Press, Gweru, 1975.
17. Duncan, D.; "The Wages and Labour Supply Position in European Agriculture" in *Rhodesia Journal of Economics*, Vol. 7. No.1, 1973.
18. Van Duijn, J.J.; *The Long Wave in Economic Life*. George, Allen and Unwin, London, 1983.
19. Kuhne Karl; *Economics and Marxism, Volume I: The Renaissance of the Marxian System*, Macmillan, London, 1979.
20. ILO; *Labour Conditions and Discrimination*. Geneva, 1978.
21. Wentzelw; *Poverty and Development in South Africa (1890-1980)*.
22. Budlender, D. Southern Africa Labour and Development Research Unit.
23. Levine, D.P.; *Economic Theory. Volume 1: The Elementary Relations of Economic Life*, Routledge & Kegan Paul, London, 1977.
24. Sen, K.S.; *Inter-Industry Differences in Growth of Real Earnings - Some Implications for Wage Policy*.
25. Devine, P. *Inflation and Marxist Theory*.

BIBLIOGRAPHY (continued)

Publications and Legislations

1. Halimana, M.C.; "Industrialisation in the Context of Liberalisation: Issues for Zimbabwe in the Coming Decade".
2. *Socio-Economic Review 1980-85*. Zimbabwe, 1986.
3. Shopo, T. and Moyo, S. "Vulnerable Working Households in Zimbabwe's Segmented Labour Markets", Working Paper No. 5 (ZIDS), 1985.
4. Research and Planning (Ministry of Labour, Manpower Planning and Social Welfare - Labour and Economy, *Report of the National Trade Union Survey*, Volume 1, Zimbabwe.
5. Government of Zimbabwe; *Labour Relations Act* (1985).
6. Government of Zimbabwe; *Minimum Wages Act* (1980).
7. Central Statistical Office, *Quarterly Digest of Statistics*. Harare, March 1986.
8. Study of the Manufacturing Sector in Zimbabwe (UNIDO). Vienna 1985.
9. ZCTU; *The Worker*. Harare, 1987.
10. Government of Zimbabwe, Statutory Instrument 263 of 1983 (Control of Goods: Price Control Order).

PART III
APPENDICES

APPENDIX I
PRICE CONTROL IN ZIMBABWE: A ZNCC PERSPECTIVE

By K. Mandevhani

A. WHAT IS PRICE CONTROL?

- Generally: Government intervention to regulate price levels of selected produces and services as part of its macro-policy controls (fiscal and monetary).
- In particular: There are three types of price control currently in use in Zimbabwe:
 - Control by specific price.
 - Control by specific mark-up.
 - Control by Ministerial approval.

B. WHY PRICE CONTROL? (OBJECTIVES):

- Complement other economic policies to achieve overall objectives e.g. employment creation, inflation control, economic growth, etc.,
- Inflation control
- Redistribution of resources
- Manage shortages.

C. HOW (MODUS OPERANDI):

- Various Statutory Instruments - see p.1315
- Supervising Ministries
- Trade and Commerce : Inspectorate Division, etc.; Prices Control Boards.

D. ZNCC'S POSITION:

The ZNCC is agreeable to Price Control insofar as it is one of many policy controls. Government relies upon in achieving its intended economic objectives. There is, however, the need to ensure that no side-effects occur. If this is ignored, business viability suffers and thus consumers and workers, even Government, lose.

E. SOME NEGATIVE ASPECTS:

- Price control suppresses and does not control inflation, e.g. producers reducing quality of product to maintain margins. In fact, it can lead to inflation when demand outstrips supply on account of artificially low prices.
- Reduces business profit margins thus inhibiting investment, employment creation, product extension and international competitiveness.

- Overall, can lead to lack of development, e.g. rural areas, rural traders, transport costs.
- Burden to the fiscus, i.e. additional manpower, e.g. price control inspectors.
- Bureaucratic delays, e.g. price increase applications take time before being approved.
- May not achieve its intended objectives, more so when no supportive sound policies exist.
- Leads to malpractices, e.g. hoarding in anticipation of price increase.
- Quality reduction to maintain profit margins.

F. ZNCC RECOMMENDATIONS:

The existing Price Control system has failed. The two price freezes of 1981 and 1987 are enough testimony.

Short-Term:

- Control intermediate goods/raw materials.
- Government control should be in the form of fiscal monetary policy, e.g. taxing expenditure/income and subsidising the recipients.

APPENDIX II

Price Control in Zimbabwe: A ZCTU Perspective

by J.S. Mutandare

Labour produces wonders for the rich, but, deprivation of the workers, it produces palaces - but for the worker hovels; produces beauty, but for the worker deformity, produces intelligence - but for the worker, stupidity, cretinism.

This observation puts succinctly the conditions facing workers within capitalist relations of production, whereby the worker is estranged from the produce of his labour. The product of labour is alienated from its producer and becomes so elusive to obtain under conditions of general degeneration of the value of labour power. This then is the premise for the ZCTU's position on price control and consumer protection.

The current price control system in Zimbabwe is governed by one major piece of legislation, namely the Control of Goods Act (Price Control) Order No. SI 263 of 1982. In analysing the price control system currently in force in Zimbabwe, one must spell out what the legislation must aim at.

Firstly, price control legislation (and system) must generally have, as its principal aim, the provision of commodities to all the people at affordable costs. It must remove the financial barriers that exist and that hinder the majority of our people, the lower income group in particular, from enjoying a higher living standard by virtue of lack of means. It must form an integral strategy of dismantling capitalist property relations and the hunger and poverty that go with them, and the building in their place of socialist ones. It must be part of the general strategy of redistributing wealth in a society. In the process, this aim will have to be looked at in light of the general production process in the country, which will have to be changed continuously to match new circumstances for the consumer. Production, therefore, will have to be equally aimed at the creation of wealth for the betterment of the general living standards of the people, rather than at making huge profits for some individual owners of the means of production. Secondly, it must devise a system or method of ensuring that the general aims and objectives of price control are realised. It will be a futile exercise if very noble and people-oriented aims have no well designed system to have them realised. Aims or intentions alone are quite inadequate. The legislation must ensure that whatever is aimed at is achieved through the rigorous and efficient implementation and monitoring of the price control mechanism.

Government Policy and Price Control: A Review

The promulgation of the new price control regulations by Government through Statutory Instrument 263 of 1982, Control of Goods (Price Control) Order and the establishment of the Prices Control Board bears testimony to the seriousness of Government in protecting the consumer.

Government policy on price control is clearly defined in the functions of the Prices Board and Price Control Committee which includes:-

- Advising the Minister of Trade and Commerce on matters relating to the price control system;

- Checking on any profiteering elements in prices of exploitation of the public while at the same time ensuring that firms remain profitable and viable; and
- Checking that essential basic commodities are available to the masses of the people at reasonable prices.
- Striking a balance between the provision of basic commodities at affordable prices and maintaining profitability.

The sudden withdrawal of the cushioning device (subsidies) has greatly skewed the balance against the lowly paid workers, the unemployed, peasants and other sectors of the lower strata of our society.

Decomposition of the Value of Labour

The colonial capitalist economy was based on the reproduction of ultra-cheap semi-proletarianised labour, conditions which the post-independence Government sought to resolve, particularly through a policy of centrally determined annual wage reviews. Despite its noble intentions, Government's objectives of recomposing the value of labour have been overwhelmed by the inflationary pressures that ensued.

The high levels of inflation for foodstuffs between 1983 and 1986, and the June 1986 period, reflect the negative impact of the reduction of consumer subsidies on prices. The rate of inflation for foodstuffs, at 20,9% and 19,7% for June and July 1987 respectively, was somewhat overwhelming when one considers that foodstuffs account for at least 55% of their income.

Inflation and Wages

Whatever workers gained in wage increases has been lost through inflation. The table shows the impact of inflation on wages between 1980 and July 1987 for workers in commerce and industry.

Table 1
MINIMUM WAGE DEVELOPMENTS IN COMMERCE AND INDUSTRY BETWEEN 1980 AND
JULY 1987: (1980 = 100)

Year	CPI	NW(\$)	NWI	RW(\$)	RWI	PP
1980	100,0	70	100,0	70,00	100,0	0,0
1981	113,1	85	121,4	175,20	107,4	+ 7,4
1982	125,2	105	150,0	83,90	119,8	+ 19,8
1983	154,1	115	164,3	74,60	106,6	+ 6,6
1984	185,2	125	178,6	67,50	96,4	-3,6
1985	200,9	143	204,3	71,20	101,7	+ 1,7
1986	229,7	158	225,7	65,50	98,3	-1,7
1987	264,8	158	225,7	59,67	85,2	-14,8

Where:

CPI = Consumer Price Index

NW_t = Nominal Wage

NWI = Nominal Wage Index

RW_t = Real Wage

RWI = Real Wage Index

PP = Purchasing Power

From the table above, it can be seen that real wages increased from 1980 and reached an all-time peak in 1982, and thereafter declined (except for 1985 when there was a slight upturn). Workers are experiencing the worst wage levels in real terms since independence. If workers in commerce and industry were to get their 1982 minimum wage \$, they should be earning \$220,08, but the present minimum is \$158,13. The Poverty Datum Line for a family of six is approximately \$319,52 at July 1987 prices. A study by the PE Consulting Group noted that workers have experienced the worst gap between their salaries and the consumer price index in three years (*Financial Gazette*, Friday, January 30, 1987, page 3).

Inflation and Purchasing Power

The purchasing power of the 1980 dollar has been eroded by approximately 62% between 1980 and July 1987 and is worth 30 cents (at July 1987 prices).

Table 2
REAL VALUE OF THE 1980 DOLLAR FOR THE HIGHER AND LOWER-INCOME URBAN FAMILIES.

YEAR	HIGHER-INCOME GROUP		LOWER-INCOME GROUP	
	CPI	Real Value of 1980 \$	CPI	Real Value of 1980 \$
1980	100,0	100,0 cents	100,0	100,0 cents
1981	114,6	87,3 cents	113,1	88,4 cents
1982	135,1	74,0 cents	125,2	79,9 cents
1983	158,0	63,3 cents	154,1	64,9 cents
1984	177,7	56,6 cents	185,2	54,0 cents
1985	195,3	51,2 cents	200,9	49,8 cents
1986	222,8	44,9 cents	229,7	43,5 cents
1987	252,2	39,7 cents	264,8	37,8 cents

Up and until 1983, the rate of devaluation of the dollar for the highly paid was higher than that for the lowly paid, but thereafter the trend is reversed. It is the lowly paid who are increasingly being marginalised at a relatively higher rate and this has distributed income away from these households, negating the Government's policy of Growth with Equity. In its survey, the PE Consulting Group noted that the ratio of fringe benefits to total cash salary has risen, which shows that those in well-paid jobs have found a cushioning device for inflation, while the lowly paid remain very vulnerable. It is the lowly paid who suffer more from inflation and their jobs have become even more insecure as the incidence of retrenchments increases.

The foregoing arguments have shown the incessant decomposition of the value of labour, against a general background of increased price levels and removal of consumer subsidies. In this vein, the Riddell Commission (1981) stated in its report:

The Commission believes that the most effective, permanent and least costly method of protecting consumers from rising food prices is to ensure that their incomes are sufficiently high to allow these prices to be paid.

On the contrary, prices have shot up, while real wages have plummeted to their lowest level since independence. The pressure is now on the *restoration of the value of labour*, as it has been persistently estranged from its products. It was observed at the recent Zimbabwe Occupational Safety Council Shaw that most miners go to work without taking any food because they no longer have the means to do so. The degeneration of the worker has gone on unbelted as inflation mounts, subsidies are removed, unemployment is rife and the marginalisation of the lower strata of our society sharpens.

It is against this background that the ZCTU calls for a more effective implementation of price controls, and a general widening of the controls to include all items in the Poverty Datum Line (PDL) diet.

Recommendations

- The establishment of an incomes policy for Zimbabwe through the Prices and Incomes Commission so as to reconstitute the worker onto the economic map and recompose the value of labour power.
- Increased monitoring of price control through a co-ordinated approach involving
 - the establishment and institution of a worker inspectorate:
 - the policy for price control programme
 - the Consumer Council, Government and other bodies involved in price control and consumer protection.

Emphasis should move away from the present centralised structure to a decentralised one which enables full participation of everyone down to the grassroots.

- Consumer awareness education for all. An informed consumer can easily expose unscrupulous businessmen. In this vein the mass media can play an important role. For example, a monthly price list for all controlled commodities should be published in the newspapers and the establishment of a magazine exclusively on consumerism wherein the ZCTU, Government, Consumer Council and research institutions can publish their research findings on consumer-related issues.
- Establishment of consumer co-operatives that can provide necessities at reasonable prices.
- Establishment of a blacklist of all companies that violate Price Control Regulations and its monthly publication through the mass media. This will discourage unscrupulous businessmen from overcharging.
- Establishment of area-specific consumer action groups. This will give power to the consumer and easily overcome exploitation as at present especially through conditional buying in times of shortages.
- Establishment of decentralised wholesale centres, especially at growth points. This will remove the incidence of transport margins that have often been cited as justifications for price hikes especially in rural areas.

With the active participation of all the organisations involved in consumer protection in various ways, we can invariably close the present gaps in price control and help recompose the value of labour power.

APPENDIX III
RECOMMENDATIONS FROM THE ZCTU/CONSUMER COUNCIL OF
ZIMBABWE JOINT WORKSHOP ON PRICE CONTROL AND CONSUMER
PROTECTION

Preamble

The workshop on Price Control and Consumer Protection, which was jointly organised by ZCTU and the Consumer Council of Zimbabwe, made the following recommendations on the understanding that:

- Price control and consumer protection under capitalism is conceived narrowly and implemented half-heartedly in the interest of capitalist profit.
- The present narrowly conceived and poorly implemented price control and consumer protection measures must be reviewed and strengthened in the period of transition from capitalism to socialism in Zimbabwe.
- Effective price control and consumer protection, which must be interpreted to mean a steady increase in the standard of living of working people, can only be fully realised after the victory of socialism over capitalism.

The workshop strongly recommended that Government should reject the recommendations by the Commission of Inquiry into Taxation that price control should be relaxed and finally abolished. In fact, price control should be strengthened and widened. The workshop went to make the following other resolutions:

Recommendations on Price Control

- Ministry of Trade and Commerce branch of Price Control Inspectorate needs to be decentralised (which apparently is the process right now).
- There is need for stronger ties and coordinated cooperation between the Ministry of Trade and Commerce Inspectorate, Consumer Council operatives and the police, ZIDS, the labour movement, etc.
- Blacklisting of price abusive tradesmen should be introduced in the form of:
 - A stern warning for first offenders together with punitive measures based on various guidelines; and
 - Finally, blacklisting with such blacklisting being subject to review, say, after a period of two years.
- Overcharging is theft and should therefore be treated as a criminal offence. Businessmen who are found to be overcharging also happen in some cases to be influential political figures, councillors, etc; who are not only violating price control but also stealing from the masses for whom they are supposed to stand guardian and custodian. To this end, therefore, we recommend that for first offenders, minimum fines be raised from \$25 to \$200 with second offenders doubling on the fines to \$400

and third offenders appearing in court. If all these deterrent measures, i.e. blacklisting and fining, fail as well as court prosecution, then the licence should be withdrawn.

- For greater impact of the last two penalties suggested above we recommend that information on fines, blacklisting and court appearances be made available either freely or in confidence (if there are any legal complications) to bodies that can publicly conscientise the consumers, e.g. Women's Affairs, mass media (probably news department), Consumer Council reports/magazine, Youth Brigades, the police, etc. Price lists of basic commodities and their maximum mark-ups should also be made available to these bodies.
- Whereas prices of commodities sold on auction cannot be controlled, we recommend that prices of commodities bought at auctions should be controlled like their counterparts on resale. We also recommend that those basic commodities in short supply be not sold at auctions unless there are legal implications.
- Whereas this may be a complicated and long-term process, we recommend that the establishment of cooperative or people's stores and wholesalers be considered as a control device on unscrupulous traders since the competitive prices they will set will have a direct impact.
- We also recommend that the legislation on the display of prices on commodities be amended to reflect synonymity with the commodity, i.e. the price of a commodity must be displayed so that it is immediately seen without moving or shifting or tampering with the commodity.
- We recommend the formation of a task force to monitor the effectiveness of the current price freeze on all goods and services and the adherence of service organisations to existing regulations. To this end, we also recommend that the findings of the task force be publicised as and when they are available.
- We recommend that the ministries that are charged with the responsibilities of the control of residential rents be requested to come up with an effective and usable mechanism that ensures the protection of the tenants and, in particular, the lodgers. The task force must also establish what lodgers are paying for rent in view of the current price freeze.
- Flouters of Price Control Regulations, such as those practising conditional selling, hoarding, etc, should be blacklisted.

Recommendations on Consumer Protection

There is need for public awareness campaigns on consumer rights. Such action should start at grassroots level using existing structures in both the urban and communal areas.

- Prices of controlled goods should be clearly displayed in the shops.
- All purchases from retailers should be acknowledged by receipt.
- The concept of consumerism should be incorporated into the police force curriculum.
- The Ministry of Health should lay down the maximum permitted levels of chemicals in cosmetics which may be dangerous to consumers.

- The practice of selling scarce commodities to regular customers only must be legally penalised and if there are legislative provisions that allow it, those provisions must be repealed.
- A small claims court must be established.
- The Ministry of Justice, Legal and Parliamentary Affairs should consider drafting legislation which would make it a criminal offence to sell a product which is not of merchantable quality.
- Contracts in common use should be vetted by the Government legal department and translated into the major indigenous languages at the expense of the sellers of goods or services that require the use of such contracts.
- Consumer protection must be seen first and foremost as meaning ensuring an increase in the standard of living of working people. Thus:
 - Prices must related to wages; and
 - The range of items regarded as essential commodities must be widened.