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12.12.64.

I. THE STRUCTURE OF THE ECONOMIES.

This is an introduction to an economic study of three East African countries, Kenya, Uganda, and Tanganyika. In this study a macroeconomic approach is used, concentrating on the relation between major sectors and the behaviour of aggretate variables. Concern is largely with the period since 1945, although occasional sorties into historical speculation are attempted.

Macroeconomics involves simplification. It demands of the economist some knowledge (or, at least, opinion) of a wide range of subjects. The total amount of previous economic research has been small enough and the gaps in available knowledge large enough to make an attempt at a systematic macroeconomic account seem foolhardy. Yet even at this stage, it is necessary to provide a framework for the more particular studies in the form of an aggregative view of the operation of these economies, even if the speculative element seems large. This is justified not only for strictly academic purposes but, perhaps even more, for the use of a generation of economic policy-makers who are being asked to shoulder an ever-increasing responsibility for the organized expansion of these economies.

The task is complicated. Many different elements must be combined. Although there is unity in the underlying themes, discussion ranges over a disparate collection of topics. To understand how the pieces fit together it is best to start with a synopsis of the subsequent argument. This is a little illogical, as in a sense it presents conclusions before offering evidence, but it will clarify the purpose of the detailed discussions which form the body of the study.

The East African economies, although poor and at an early stage of development, cannot be described by any simple slogan. A number of threads can be distinguished. Models of developing economies are often construdted by distinguishing major sectors, and in the analysis, concentrating on the relationship between the sectors identified. This is always a simplification, but is usually justified by the sharp insights provided into crucial relationships. In the East African case four alternative lines of demarcation suggest themselves. By considering them in turn, some insight can be gained into the structure of these economies and into the ambiguities involved in using sectoral classifications.

The first possible distinction is between agricultural and non-agricultural activity.[1] The East African economies are predominantly agricultura, in the sense that the vast majority of the population lives in the countryside and engages in one form of agriculture or another.

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1 Simon Kuznets, "Quantitative Aspects of the Economic Growth of Nations" II. Industrial Distribution of National Product and Labor Force. Economic Development and Cultural Change, July 1957.
Gustav Ranis and John C.H. Fei in "A theory of Economic Development," The American Economic Review, Sept. 1961 develop a model using these two sectors-an industrial sector and an agricultural sector. In their model in the initial stages of development agricultural is assumed to be co-incident with subsistence. In later stages of development, however, they indicate that agricultural is not co-incident with subsistence and this fact becomes an important part of the model.

Because the productivity of labour is higher in non-agricultural activities, the extreme dependence on agriculture is not so strikingly displayed in output estimates. However, by any standards, manufacturing is in its infancy, producing some consumption goods, building materials, and servicing equipment. Some part of manufacturing also consists of the processing of agricultural outputs. This suggests a weakness of this type of classification. Part of the manufacuturing and a large part of the service activities in these economies are intimately connected to agriculture. A large part of the value of agricultural exports at the port of exit originates in commerce, transport, and other service facilities. The prosperity of these service industries is directly dependent on agricultural performance. Agriculture, in turn, is far from being an homogeneous category. It has a dual function. It generates the export incomes necessary to finance imports of manufactured goods, and it supplies the domestic food supply. Further, it does not, in the East African case, embody a single technique of production or method of organization. There is a diversity of agricultural technique, from situations where the appropriate description is "small-scale traditional" to those which are definitely "large-scale capitalistic."

An alternative classification would be to distinguish between an export sector and a domestic sector.[2] The East African circumstance provides yet another example of an underdeveloped economy susceptible to the vicissitudes of the world commodity markets. Exports form a very high proportion of gross domestic product and world commodity prices are the most important external influence on economic activity. The variations in the fortunes of the three countries in recent years has been in part the result of differing specialization in export crops. Such a classification would group agricultural exports, other primary exports, and the dependent services and processing together, as the set of industries through which crucial external influences upon the economy are transmitted.

The sector producing for domestic use combines that part of agriculture supplying domestic food needs, much of the manufacturing, and those services devoted to local rather than export needs. The structure of this sector will determine the relationship between domestic demand and import needs. Because only certain types of goods are produced domestically, the level of imports will be influenced by the composition of domestic expenditures as well as the level. For example, investment spending certainly has a much lower domestic content than consumption spending. Little machinery is produced locally and investment spending has a low ervice sector industry content. Therefore expansion of investment as a proportion of spending shifts product away from domestic activity into the import bill.

Prosperity in the export sector will provide markets for the products of the domestic sector, by boosting the incomes of consumers in that sector. The potentiality exists, however, that the two sectors may compete for resources. Insofar as export agriculture is mechanized

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2. Dudley Sears, "The Mechanism of an Open Petroleum Economy," Social and Economic Studies, March 1964. This provides an interesting example of this type of distinction as the classification is far more straightforward in the case of a mining export industry and some of difficulties suggested here do not arise.

it might well compete for capital. At some point, with the development of non-agricultural employment leading to the growth of domestic markets, food production as a source of cash income might compete with export cash crops in peasant production. Thus both on the demand side and the supply side links between the two sectors may be identified and investigated.

This second method of classification has four virtues. It provides a useful format for analysing the most important influence on short-run stability by concentrating on the role of exports. For planning purposes separate identification of the export sector is useful because of the likelihood that, at some stage, foreign exchange will become a crucial constraint on the development programme. Also the processes of structural change may be viewed in part in terms of the changing roles of the export sector, imports, and domestic production. Finally, in formulating economic policy strategic choices will have to be made between the expansion of exports and the promotion of import substitution.[3]

A third distinction, also with its advantages, is between a traditional sector and a modern sector.[4] Here the criteria for classification are the techniques and organization of production. The traditional sector is small-scale, labour intensive, including a considerable amount of non-cash production for own use. The modern sector, on the other hand, is capital intensive, with a disciplined labour force, and techniques and organizational forms transplanted from wealthier economies. Thus the traditional sector in East Africa would include a large part of agriculture,but would have to exclude the very considerable farming activity in large scale commercial operations, owned and managed by non-Africans. The cash economy has often penetrated further into the traditional sector than would be suggested by the official data, with purely local exchanges of food and labour services for cash. The traditional sector would be responsible for some part of the domestic food supply. Thus it would overlap the agricultural and export classifications suggested above but would be co-incident with neither.

The term traditional is used in this sort of discussion to include peasant farming for cash incomes. As always, distinctions crumble if the attempt is made to apply them rigidly. Successful peasant farmers in some parts of Buganda, for example, operate on quite a large scale,

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3. Brian Van Arkadie, "Import Substitution and Export Promotion as Aids to Industrialization in East Africa," forthcoming in East African Economics Review, January 1965.
4. W.A. Lewis, The Theory of Economic Growth and "Economic Development with Unlimited Supplies of Labour," The Manchester School, vol. xxii, 1954. Lewis develops a two sector model, using a capitalist sector and a traditional sector. He defines those as a sector which uses reproducible capital and a sector that does not.
W.J. Barber, The Economy of British Central Africa. Barber uses a two sector classification, extinguishing between two "economies" - a money economy and an indigenous economy. By using the term "economy" rather than "sector" Barber emphasizes the extent to which the indigenous economy is independent of the money economy.
B. Van Arkadie, "Notes on a Model of the East African Economy," Economic Development Research Project Discussion Paper No.26. In this paper I treated the traditional sector as co-incident with agriculture.

employing wage labour in substantial quantities.[5] In economies as subject to change and development as those of East Africa, there is no abrupt boundary between the traditional and the modern.

Nevertheless, the categories still have their usefulness. There are rural areas where concepts such as employment and unemployment, so relevant in describing industrial societies, break down. People work as the needs of the local agriculture demand but at times enjoy leisure to a degree which would suggest unemployment in the industrial society. As education and changing aspirations influence the local societies such leisure might become involuntary idleness, but it is by no means clear that this is the generally correct perception. Increased output is largely the result of additional supplies of effort, bringing more land into cultivation or cultivating existing land more intensively. The amount of labour employed in this sector is difficult to identify. Labour may move to the town without loss of output and may return without creating noticeable rural unemployment.[6] Cultural determinants may have there influence on the degree to which this sector is a source of "unlimited supplies of labour."

By comparison, the modern sector takes on the characteristics much more familiar to the observer from the wealthier countries. The distinction between employment and unemployment is abrupt and even brutal. Employment rather than price is determined by demand. The limits on the amount produced are determined more by the capital stock than by the supply of effort. However, the individual can operate in modern and traditional sectors simultaneously, retaining a stake in the land, maybe even continuing to live on the land, while also taking on the role of full-time wage earner. Because the movement from peasant to proletarian does not involve an abrupt and irrevocable break, the modern sector is not, strictly speaking, an economic island seperate from the traditional economy.[7]

Such a sectoral classification is useful when the character of the productive techniques is emphasized as a key variable. It is important to note, however, that the contrast between the traditional and the modern not only consists of the use of machinery, but also of the character of employment practises, and, perhaps, sensitivity to possibilities of innovation and implications of price fluctuations.

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5. D.J. Parsons, Systems of Agriculture Practised in Uganda, No. 2 p. 11.

6. W.J. Barber, op.cit., p.48. Barber argues that this is the case in Central Africa because there is some division of labor in the indigenous economy between men and women. The women do almost all the farming and the men do little more than clear new land and keep "the productive capital of the agricultural economy intact." Therefore when men leave for the city there is very little drop in output. This is also true in many parts of East Africa, with the complication that although women do most of the subsistence farming, the men are often responsible for the farming of cash crops.

7. Elkan, Migrants and Proletarians

In the African circumstance there is a fourth possible classification - the distinction between African and non-African. This distinction provides insights into the differences between the three countries and provides a relevant standpoint from which to view past colonial policy. The differing policies regarding alienation of land and the differing agricultural policies in the light of the consequent ownership patterns were crucial in influencing the character of agricultural development.

Further, it might be possible to talk of an African sector, in which ownership and control remain in African hands. The non-African sector, however, would be dependent on African labour and therefore would be a source of African incomes. In the past the African - non-African distinction has been similar to the traditional modern classification suggested above.

It is interesting to note the differences between the three countries which become evident from the application of these four methods of classification. In the case of Uganda, the classifications export, agriculture, traditional, and African most nearly coincide. Agriculture is dominated by peasant production, with the two main export crops (coffee and cotton) produced almost exclusively by peasants. Further, the export classification and the agricultural classification are closely linked because the services and processing ancillary to agricultural production are partly performed in Kenya. Even in this case, there is no absolute coincidence of the classifications. There is some plantation agriculture (mainly sugar and tea) controlled by non-Africans which makes up part of Uganda's exports. There is also a significant amount of non-agricultural exports, particularly copper. The most important way in which the categories do not overlap, however, is the fact that the African, traditional, agricultural producer is always a producer of food crops for subsistence consumption in addition to his production of export crops. Thus, a significant part of Africam traditional agriculture coincides with the domestic rather than the export classification.

By comparison, in Kenya the four methods of classification provide very different results. In the colonial period there was a high degree of correspondence between the export, non-African, and modern classifications. That is, there was (and still is) an important group of expatriate farmers who use modern techniques and produce a large amount of Kenya's exports. Developments beginning in the mid 1950's and accelerating under the impact of independence are leading to substantial changes in this structure with some of the non-African farmers leaving and with the development of modern, African farming of export crops.

A complication in the analysis, which will be dealt with at length later, arises from the role of Kenya as a an exporter of manufactures, food and services to the other East African countries. Part of the sales of Kenya manufacturing industry are made up by inter-territorial exports, while a further part might be considered as an extension of the export activities of Uganda and, to a much smaller extent, Tanganyika. Therefore the structure of the individual economies as apparent from the national data will in part reflect the arbitrary influence of political boundaries. Further, Kenya offers a diverse range of agricultural exports to the world market, some of which require a degree of processing outside the agricultural sector to a much greater degree than the major crops of the Uganda economy.

Tanganyika has a more diversified agricultural organization relying for export crops on plantation agriculture to a much greater degree than Uganda but also, in the past, having a more considerable peasant contribution than in the case of Kenya. Although Tanganyika has been a large importer from Kenya, it has not been so dependent on Kenya for the provision of services, largely as a result of the differing geographical situation.

These distinctions will be developed in greater detail in the subsequent discussion. For the purpose of this introduction it will be useful to set out a schematic design which encompasses the four possible bases of sectoral demarcation. The combination of all four criteria allows for the possibility of sixteen sub-divisions. Some of these logical sub-divisions are obviously empty boxes (for example, traditional non-African activities), while some are only of neglible importance. Eliminating and consolidating, the categories set out in table 2 remain.

In this list of "sub-sectors" one classification is retained although it is currently of little importance. This is modern African agriculture. As agriculture develops the distinction between cash crops agriculture with traditional methods and modern agriculture becomes vague. The development of settlement schemes in Kenya, the transference of large scale farms intact to African ownership in some cases, also in Kenya, the beginnings made with group farming in Uganda, these and other examples of isolated farmers adapting their techniques, all suggest that this is likely to be an increasingly important element and that between large scale commercial farming and completely subsistence cultivation on the other, a continuum exists; development will increasingly populate the area midway between the two extremes.

The difference between the three economies derives from the differing relative importance of five crucial sub-sectors: African traditional agriculture for export, non-African agriculture both for export and domestic use, and non-African non-agricultural activities. The process of development might be viewed as involving four kinds of movement - from agricultural to non-agricultural, from export to domestic, from non-African to African and from traditional to modern. The cross-currents involved in this process may well reverse the flow in particular directions: thus the shift from non-African to African agriculture in Kenya will involve some movement from modern to traditional. Also, at differing stages of development the direction of these movements may change. For example at the early stages a shift within the traditional sector will occur with a growth in the relative importance of exports. At a later stage with growth in urban populations the balance may swing back in favour of domestic food production.

Finally, it should be noted that this set of classifications, which may well appear excessive, neglects a further distinction which is often seen as important is analysing development - that is the distinction between government and private economic activity. If government activity were to be allocated within this framework, in the past it would most reasonably fall under non-African activity; for the future, perhaps it should be included under modern African activity.

Table 2

Analytical framework--divisions into sub-sectors

	Uganda	Kenya	Tanganyika
I. African			
A. Traditional (a) Domestic agric.	The dominant source of food supply for most of the African population throughout East Africa-largely subsistence, although local cash sales not accurately recorded.		
(b) export agric.	Major source of exports, supply almost all cotton & coffee	Of minor importance in the past. High growth in recent years.	Important in some crops, but not of the same relative importance as in Uganda.
(c) Non-agric.	Hut building, beer brewing and handicrafts-an important source of local consumption in East Africa.		
B. Modern (a) Agric.	In the past of negligible importance, but with development becomes more important and distinctions are blurred.		
(b) Non-agric.	Small-scale trading, taxi-cabs, bars, tailoring and dress-making, minor mechanical repairs, etc. -nowhere as important as in West Africa. Important and growing co-operative activities (mainly agricultural marketing) could be included here.		
II. Non-African			
(a) domestic agric.	Negligible except for sugar.	Highly developed mixed farming (dairying, wheat, maize, high quality meat, fruit, etc.)	Some development of minor importance.
(b) Export agric.	Sugar and tea are estate crops. Other crops only of minor importance	Major source of most export crops.	Virtually all sisal and tea-slightly less than half export crops.
(c) domestic non-agric.	Kenya has the most highly developed manufacturing and service sector partly on the basis of inter-territorial trade. Uganda also has small inter-territorial exports of manufactures.		
(d) Export non-agric.	Mining (copper) service industries based on crop exports in each country, but Kenya provides Uganda and Tanganyika services for some of these.		Mining (mainly diamonds)

II. SHORT-RUN INCOME DETERMINATION.

The framework developed above can be used for structural analysis which is insightful, but which is essentially static. It provides a synoptic view of the division of product and employment between industries, the patterns of ownership, the relationship with the international economy and the distribution of income. It does not, by itself, account for the behaviour of the economies over time. Macroeconomics is mainly concerned with growth and fluctuations in the economy.

For the study of such dynamic problems there is value in the traditional distinction between the long-run and the short-run. Such a distinction is always an approximation, in part arbitrary. In this case, for example, export earnings have been a crucial influence on the short-run stability of the economy and have also been strategic in creating structural change. This exercise therefore distinguishes between the long-run and the short-run aspects of the same phenomenon rather than attempting to classify each variable into one or other compartment.

Short-run analysis does not investigate the process of development. Rather, it is concerned with analysing a particular aspect of the condition of underdevelopment. The object is to expose the determinants of economic activity during a period in which most of the conditions of supply are given. For practical purposes, this means investigating the factors influencing the size of domestic product within the year. This must largely be an aggregate demand analysis.

The creation of a theory of short-run income determination within an aggregate demand framework was the major concern of the last generation of economists in the developed, capitalist world. This is therefore a highly developed topic in modern economic theory. It has been developed very much with a particular institutional framework in mind, so that although the theory is extremely useful to the economist dealing with this aspect of East African economics, it must be applied with some care to the particular local environment.

The first step in the discussion is to distinguish between those variables which may be treated as autonomous and those which are endogenous to the short-run model. An autonomous variable behaves independently, in some substantial degree, to the other variables in the model. The values of the endogenous variables, on the other hand, are determined simultaneously with the other variables in the model. Some variables may behave independently of the current value of the other variables, but might be related to the value of variables in the model from a previous time period. Further, some variables will be partially autonomous, but will also be influenced by the current value of other variables.

There are four bases for autonomous behaviour in the East African situation. The first, and most important, is the impact of international influences on East Africa. The second is the influence of private decisions which are taken with a time horizon well beyond the current period. Long-time expectations will be partly influenced by current economic performance but will also take account of much other evidence.

Another source of autonomous behaviour is the possibility that some decisions may define economic behaviour within set limits over a number of years. Finally, public policy partly independently of current economic conditions.

Autonomous influences on the level of economic activity come to bear through three strategic variables - export earnings, investment and government spending. Export earnings are by far the most important autonomous influence, because of size, wide range of variation and independence from the influence of domestic variables. By comparison, both investment and government spending are neither so volatile nor so free of endogenous influences.

The relative importance of export earnings and their considerable volatility are indicated by table I. This instability results from fluctuations both in price and outputs. The variable nature of prices results partly from the competitive nature of the markets in which East Africa has sold its products. With two exceptions (sisal and pyrethrum), in the absence of international agreements, the East African countries would be price takers in competitive markets. Fluctuations in East African output will therefore not necessarily be combined with countervailing price movements. World output, on the other hand, will be unstable in the short-run, have a low short-run elasticity of supply with respect to price, around an upward output trend. Demand, on the other hand, will have a low short-run and long-run price elasticity, although it may shift sharply in response to changes in expectations (e.g. the Koeran War boom.) The fluctuations resulting from these factors can only be smoothed to a limited degree by existing commodity agreements.

The supply of export crops in East Africa is, in the short-run little influenced by price but is highly dependent on climatic vagaries. Moreover, high dependence on a narrow range of crops may make earnings more unstable, because with a wider range the possibility of countervailing fluctuations is possible. However, this factor should not be exaggerated, as world commodity prices do tend to move together and the introduction of crops with a more unstable price performance than the current average performance would therefore possibly increase the instability of average export prices. The general proposition that diversification will increase stability depends on the independence of the fluctualtions of output or price of the various crops, or the expansion of commodities with greater output or price stability than the existing average. Greater diversification could possibly lead to greater instability for the particular country.

In the longer-run, outputs will change with adjustments in the supply of effort and agricultural innovation. Moreover the impact of a pattern of price changes on the level of export earnings will be dependent on the local responsiveness to changes in relative prices. In the very short-run of the given year or season, the movement of prices around the long-run trend and the fortutirous influence of the weather are strong influences on the general level of prosperity. Over the decade, success in expanding outputs, the trend in export prices, and the adjustment in the composition of output in response to relative price movements are key influences in determining the rate of growth.

There are three different channels through which export earnings influence the level of economic activity. These may be described as the income (or direct) effect, and the fiscal and monetary effects.

The direct impact of export earnings on the level of domestic incomes derives from the sheer importance of the export trade as a source of income. Not only the incomes of farmers but also those derived from the service sector are directly related to the level of export earnings. The immediate impact will be increased through an expenditure multiplier, as consumption is adjusted to new income levels.

The fiscal effect results from the dependence of certain government tax revenues on the level of export earnings. This will be the case particularly where export taxes form an important tax revenue source; this is mainly important in Uganda. In addition, the fluctuations will themselves change tax revenues. Insofar as government spending is linked to revenues, that is insofar as the public authorities are attempting to balance budgets or restrict the size of the deficit, revenue fluctuations will be reflected, perhaps after some lag, by similar movements in government spending.

Thus if the tax structure acts to stabilize private incomes, sheltering them from the effects of fluctuations in export revenues, it will correspondingly destabilize government revenues. Both of these effects were limited to the extent that there were stabilization reserves which were not a direct source of public finance. In this case part of the brunt of fluctuations in export earnings would be borne by changes in the liquidity of the marketing boards.

The monetary effect results from the sensitivity of the domestic monetary system to international transfers of funds. An export expansion is likely to be combined with a "favourable" movement in the balance of trade - import expansion lags the export boom. This will result in an inflow of funds in the current account section of the balance of payments which will, _ceteris paribus_, increase the liquidity of the domestic banking system. This creates the possibility of a more permissive banking policy. With a decline in export earnings the same effect works in reverse.

In the past, the most important financing activity of the local banking system has involved trade, rather than industry, agriculture or government.[8] Possibly an important part of the more direct effects of credit policy may therefore have been on inventory behaviour. It is possible that the general credit situation has had some effect on other spending decisions with a more important domestic impact.

It should be noted, however, that the liquidity of the banking system also depends on transfers other that those generated by trade which, on some occasions,

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8. M.D. McWilliam, "Banking in Kenya 1950-1960", _East African Economics Review_, June 1962. This article contains a very informative discussion of the development of commercial banking in East Africa in the 'fifties.

have quite dominated the financial situation. Moreover, the effects of changing liquidity on local credit policy depends on the response of the banking system to such financial movements. Over the period of the study the East African commercial banks have been subject to wide fluctuations in their liquidity situation, indicating that their credit policies have been far from automatic reflections of international financial transfers.

The discussion of the effect of export earnings indicates that both investment and government spending are not entirely autonomous variables, in part because of the possibility that they will both be indirectly influenced by export performance. Both of these variables are potentially susceptible to enough autonomous influences that it is worthwhile to investigate them as independent short-run determinants of the level of economic activity.

A priori application of economic theory suggests that there are three main ways in which investment may be influenced by other domestic economic variables. Expectations of future demand conditions are influenced by recent experience of demand expansion. The level of current profits may influence investment both because they are an indicator of future prospects and because they provide an internal source of finance. The availability of external funds may also be a constraint on the realization of investment plans.

Few commentators would suggest, however, that even in a model of a closed economy these influences are likely to provide a sufficient explanation of the level of investment. In East Africa there are quite specific reasons for supposing that explanations of investment behaviour cannot be encompassed within a tightly organized model. There are a number of factors which can be identified, which are surely important, although they may not be measurable in practise.

Private capital formation as measured in the official statistics, which ignore the highly important peasant contribution, has largely been undertaken as the result of decisions by non-Africans. The expectations of these groups regarding their economic prospects have been strongly influenced by their interpretation of the course of political events. For example, this was an important negative influence from 1960 onwards. Reactions to the prospect of independence affected the willingness to re-invest profits; declines in investment activity were combined with an outflow of liquid assets. Also, the decline in expatriate residence and expectations regarding future decline affected prospects for both residential construction and the elaborate service facilities, the expansion of which had played an important part in the expansion of the 1950's.

In addition, the dependence of investment decisions on non-Africans creates the possibility of some degree of independence from local liquidity constraints. Particularly in the case of direct investment of overseas firms in East Africa the investment decision may create an international cash flow for its own finance.

Certain types of investment are necessarily substantially independent of current conditions, because their completion involves expenditures over a number of years. This is particularly true of public investment in social overhead facilities. Social overhead projects are also insensitive to immediate economic conditions because the returns are not measured in terms of short-run commercial profits. The most considerable example in recent years was the Owens Falls hydro-electric scheme. Railway expansion and road-building projects will have similar characteristics.

Such schemes are often financed in part by special international loans and they are therefore, to a degree, independent of local liquidity constraints. However, if considerable local funds become committed to covering the local costs of such projects their existance may reduce public investment activities elsewhere. On the other hand, the initiation of such projects may promote a subsequent stream of smaller ancillary expenditures.

A further possible influence on investment is public tax and tariff policy. Protection of domestic manufactures and the duty free import of capital goods may raise the level of investment. It is possible that it merely causes a re-direction into the protected industries of investment which would have been undertaken anyway. Nevertheless the potentiality exists that an import substitution policy, by widening the range of investment opportunities, does increase the total level of investment. This is probably an important element in motivating the direct investment by overseas firms.

The impact of investment spending on the level of domestic activity will be limited by the high import content of investment spending. Thus at the first round of the multiplier process a considerable part of investment spending flows directly into the import bill.[9] The degree to which this is the case is partly a question of the balance of investment spending between machinery and equipment on the one hand and buildings and construction on the other. Machinery and equipment expenditures have a particularly high import content. As the two types of investment good are in part joint inputs there are limits to the degree that the balance can shift between the two. The most important source of fluctuations will be residential construction expenditures.

Government spending is able to act as an autonomous influence only insofar as there is a willingness to allow expenditures to move independently of revenues. In the past domestic borrowing sources have been limited by the small degree to which the Currency Board has engaged in fiduciary issues and by the lack of large holdings of East African government debt by the commercial banks.

There were two sources of flexibility. Overseas grants and loans have been, from time to time, an important sources of public finance. Also, in the case of Uganda, surpluses generated in the past have created the possibility of current deficits. Overseas grants and loans have been particularly important in the case of Kenya, especially in financing the high level of government spending during the emergency.

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9. Paul G. Clark, "The Rationale and Use of A Projection Model for Uganda," Economic Development Research Project Paper No.39, p.11-12.

Compared to investment, government current spending has a low import content and, therefore, a correspondingly greater impact on the level of domestic activity.

The impact of the exogenous variables on domestic economic activity depends on the size of the induced expenditure flows. Analysis of the process can be completed, in principle, by consideration of four different types of parameter. These are propensities to import and to consume, tax rates and parameters determining income distribution.[10] Although the formal model is quite straightforward, the data required for demonstrating the operation of the process is not so readily available. Even in an avowedly macro-economic study, none of these relationships should be considered at an economy-wide level of aggregation.

Expenditures on imports are an important leakage in the circular flow of domestic incomes because of the dependence of East Africa on imports as a source of supply for a wide range of manufactures.

The aggregate propensity to import will vary with the composition of demand because of the variation in the import content of different expenditures. In East Africa, investment goods have a higher import content than consumption goods which in turn have a higher import content than government current spending and export commodities. Even within these major commodity groups there are significant differences in import content. Thus machinery and equipment has a higher import content than buildings and construction, and durable consumption spending has a higher import content than non-durable spending. Also it may be that for some commodity groups the import content will vary according to whether the consumption expenditures originate from the African or non-African populations - this is probably true of food consumption for example.

In many lines the elasticity of substitution between domestic and imported products is necessarily low, because of the absence of domestic capacity with the correct technical characteristics. Where new plants are created and excess domestic capacity exists, however, the possibility of substitution, even in the short-run, in response to relative price changes (e.g. from increased tariff protection) must be considered a serious possibility. In addition, some degree of substitution may be possible in consumer budgets, even where domestic and imported commodities do not meet the same apparent need. Despite these qualifications if a sufficient disaggregation is attempted (e.g. along the lines implied in the previous paragraph), then a permissible approximation would be to consider the propensities to import linear and constant in the short-run. Using such a crude assumption, rough but realistic estimates can be made of the values of such parameters.

In considering consumption behaviour, disaggregation to the point at which major income receiving groups could be identified is, in principle, desirable. In practise, much can be suggested but little measured. That the spending behaviour of peasants, of urban workers, of expatriate employees and

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10. Clark, op.cit. p.2

of corporate profit earners surely differ will be denied by few. It is even true that some hypotheses regarding the direction of the differences can be assembled from knowledge of the economic environment and social customs, fragmentary data and a large contribution of _a priori_ reasoning.

The treatment of tax leakages is more straightforward because of its dependence on the structure of tax rates.

With a given wage and salary structure, the distribution of incomes by size and function will be heavily dependent on the composition of final demand. Agricultural exports, for example, will generate quite different income patterns than government spending. It should be noted, however, that the wage and salary structure may itself change over quite short time periods. Although this subject is discussed below as a structural change, it is a type of change which can have strong implications with a quite short passage of time.

III. GROWTH.

Consideration of the process of short-run income determination must be speculative because of the immature stock of statistical data; the analysis of growth and development must be speculative for a more fundamental reason. Development may be studied empirically in an economy which has developed. In a country which has yet to develop the process of development must in part be handled by treating the future as history.

In case studies of successful development students may identify, in the particular case, a set of sufficient conditions, the presence of which created development. The diversity of development experience suggest that there are numerous alternative sets of sufficient conditions. It is much more difficult to establish necessary conditions. In considering a country which is currently under-developed, a dilemma therefore arises. Human experience includes cases of economic stagnation and decline. Development is not inevitable, that is why the study is worthwhile. Yet, if the presence of development has been explained by the existance of numerous differing sets of sufficient conditions, the absence of development may therefore be explained by the lack of a wide range of possible sets of conditions, with the suggestion that the presence of any one of these combinations would lead to development. Therefore, although it is possible to describe the condition of under-development, with evidence drawn from a contemporary under-developed economy, it is much more difficult to marshall that evidence to examine the problem of development.

The alternative would be the acceptance of a theory of development. This is, a theory of development which is not an explanation of a particular experience of development but the identification of a set of necessary conditions generally applicable to the range of development experience However, whereas it is true that, in certain aspects, the process of economic development in its later stages has many characteristics which suggest convergence, the intial conditions from which the process starts show a wide

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11. Such has been attempted by W.W. Rostow, in various writings. The dangers implicit in any such attempt and the particular inadequacies of Rostow's theory are exposed in a number of papers in _The Economics of Take-off into Sustained Growth,_ edited by W.W. Rostow.

range of variation. Although there is, in some senses, a common destination, the starting points are so different that it seems unlikely that there is a single appropriate route.

One solution would be to remove any teleological implications from the discussion and to provide as far as possible an adequate description of the story to the present. This would be the respectable course. Yet, insofar as a legitimate concern of economists is public policy, such a course is not only inappropriate but is also unlikely to be achieved. The pattern the economist will impose on the available facts will be partly derived from a view, even if implicity, of the place those facts take in a sequence extending into the future. This will even be true of the most painstaking attempt at a purely empirical account.

The method adopted here is to attempt to present views regarding future patterns, in order to enable the reader to understand the frame of reference the writer is using. However, in doing this, neither a theory of development of the type suggested above, nor a precise prediction of future course of events are offered. Rather there is a speculation regarding the range of possibilities. That is, there is an element which is neither a scientific hypothesis, in the sense that it is a precise statement falsifiable by appeal to evidence, nor is it a dogma, predicting a necessary future course of events. Rather, it provides various ways of looking at these economies which may prove useful, or not useful, as a contribution to future understanding of events as they happen. This is a much vaguer conception of the task of an economist which makes explicit and accepts certain ambiguities in the methods widely used in the study of development, and many other economic problems.

There are three different stages to which analysis of growth and development can be carried. Each is appropriate to a particular kind of question and each involves a different kind of analysis. These are:

(i) <u>The process of growth taking as constant much of the basic structure of the economy.</u> Among the features accepted as constants would be the propensities to consume of various income groups, propensities to import from particular types of expenditure, and the relative size of major industrial groups. The purpose of this exercise is to examine the mechanics of growth over periods long enough for growth to occur but still too short to be subject to major structural change.

(ii) <u>The process of structural change.</u> Growth will itself induce structural change. Differences in the income-elasticity of demand for various products, differences in the rate of growth of domestic capacity as between industries, changes in the character of the work force resulting from a new industrial structure, these and similar developments may be seen as a result of growth. In addition, however, there will be organized changes in structure resulting from political activity. Large and permanent changes in world market prices might also induce structural change.

(iii) The social determinants of development. Using the first two styles of analysis it is possible, for example, to discuss the effect of investment on growth, the physical constrainst on the level of investment, and even induced changes in the level of investment. But much of that discussion presupposes the existence of certain important social factors. That is, there must be some elements in the society creating new investment opportunities, with a will to accumulate and the means of realizing such ambitions. In a more general sense, the origins of what Joan Robinson likes to call "the animal spirits of capitalism" (or for that matter "the animal spirits of socialism") might be sought. It is also important to examine the social situation as it effects the labour force and peasant farmer, and as it influences public policy.

(1) GROWTH WITHOUT STRUCTURAL CHANGE.[12]

The first approach takes as its starting point short-run income determination process already described. This analysis was substantially based, in a modified fashion, on the Keynesian type of income analysis. Applied to short-run problems, this type of theory takes the conditions of supply given and concentrates on the determinants of aggregate demand. The past generation of economists developed their theoretical discussion of economic growth by adding a supply side to this model. The Harrod-Domar model, the foundation upon which much of this literature was built, allowed for two alternative constraints on supply - the capital stock and the labour force. This model, developed for the analysis of growth under conditions of advanced capitalism, has also been used as the basis for simple planning models of wider application. Such models cannot claim to provide a full explanation of observed phenomena, but they do have heauristic value in exposing critical relationships. They are based on the presumed stability of certain basic parameters, such as a marginal propensity to consume and the capital output ratio in the Harrod-Domar, or the elasticities of an aggregate production function in the Solo-Swan contribution.

A fundamental weakness in attempting to apply such models to developing economies over long periods of time is that forces of structural change make it likely that elements which, in some rough way, can be taken as parameters in a developed capitalist society, are subject

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12. This section as it stands is incomplete, in that it does not expose the precise fashion in which the overall constraints are determined by a number of the factors discussed. This exercise was partly undertaken in my "Notes on a Model of the East African Economy," Economic Development Research Project Discussion Paper No.26. In that paper, however, the frame of reference was essentially that of a planning model rather than an explanatory model of past and current performance. For the purposes of this paper the detailed mechanics of such a model seemed less appropriate than the attempt to specify the distinctions between the types of analysis as they apply in the East African case.

to changes which are integral to the process of development. However, even for times periods in which such changes can be neglected, or for situations in which growth is achieved without structural change, such models still suffer serious insufficiency. The homogeneous character of the economy and the absence of international influences usually basic to such models render them quite inadequate for even limited applications in the East African situation.

In recognition of this inadequacy the attempt was made to develop sectoral classifications of the kind discussed in the first section of this chapter. Through these kinds of distinctions, the heterogeneous nature of such economies is formally recognised and an attempt is made to take explicit account of the consequences. Although such attempts often involve over-simplification of reality, and therefore, if applied incautiously, could mislead, they are distinct improvements on the models of growth in developed economies. Keeping in mind the qualifications already introduced at the outset of this chapter, a simple account can be attempted of the growth process with a number of the basic structural parameters given (e.g. propensities to import and to consume.)

Such a first approximation may be developed by considering the fundamental limits on the growth on the supply side. From the discussion of short-run income determination, it is evident that two seperate constraints must be considered. Domestic production, outside of peasant agriculture, will be limited by the size of the capital stock and the available labour force in a similar fashion as that suggested by models of advanced capitalist economies. In addition, however, the satisfaction of domestic requirements through imports must be considered. The relative importance of imports suggests both that when there is pressure on domestic capacity it will be quite straightforward to substitute foreign goods for domestic output and, more important, there will be some needs which must be satisfied by imports, limits on the expansion of which are therefore defined by the ability to import.

Perhaps the simplest way to envisage the operation of these basic constraints is in a planned economy in which the money supply can be adjusted to suit the needs of public policy. Then, if the planning authority is pursuing an expansionist policy, the feasible rate of growth will be defined by the basic constraints. However, in an economy which was substantially unplanned, and in which effective demand was influenced by the factors outlined in the second section of this chapter, such a view is insufficient. It is necessary to expose some mechanism which maintained a rate of growth of demand which was consistent with the rate of growth of supply.

For this purpose, two types of effects should be distinguished. These are income effects and monetary effects.

In a closed economy, if effective demand expands faster than supply, ultimately maximum output levels will be achieved and increases in monetary incomes will represent increases in the price level, rather than expansions in real output. In an economy with unrestricted imports (i.e. except for the operation of tariff protection) insufficiency of domestic capacity will engender increased imports rather than price rises. There will be some degree of price rise, both because some needs are inherently not to be supplied by imports and also because the domestic price of the new imports may well be marginally higher than the goods in existing use.

One result of such a shift to imports will be to increase the propensity to import out of given expenditures. In practise, this will not happen abruptly at some domestic full-employment point, but will come gradually into operation as domestic economic activity increases. As a result of this, as the autonomous expenditure variables expand, after a point there will be a tendency for the multiplier effects to decline because of an increased rate of "leakage" into the import bill. This effect on the income mechanism will tend to dampen the expansion in aggregate demand as domestic capacity is fully utilized. It is interesting to note, however, that there will be counter-acting forces, because the very pressure on capacity will have a buoyant effect on domestic investment opportunities.

The monetary effect is more difficult to establish, because the influence of the domestic monetary mechanism is difficult to trace empirically and controversial in principle. Nevertheless the following argument is offered as correct in outline even if the strength of the effects are in practise debatable.

In an economy in which the domestic money supply is adjusted independently of foreign exchange reserves, the ability to import will be limited ultimately by the supply of such reserves. A point will come at which it is impossible to pay for additional imports. This situation often arises in developing economies and leads to the imposition of exchange control. The East African experience, however, has been different from this. Exchange control, insofar as it has operated, has been designed to control transfers out of the sterling area and has not limited transfers to other sterling area countries. On the other hand, the domestic money supply has been linked to the size of foreign reserves. The liquidity position of the commercial banking system is intimately linked to the inflows and outflows of funds.

Now, as the major exogenous variables of the short-run income model expand on the demand side they will to some extent provide foreign exchange sources; this has already been noted in the discussion of the short-run income determination mechanism. Exports generate foreign exchange directly. Investment decisions are sometimes associated with foreign transfers, when overseas investment is involved. Government deficit spending has mainly been financed by overseas loans and grants, again generating foreign exchange. However, this does not guarantee that the expenditure generated will result in imports which are precisely in line with these additions to reserves. If, in practise, the domestic expenditure parameters are such as to cause, in the particular situation, an expansion of imports to the degree that they are financed by a reduction in foreign reserves, this would lead to a restriction in domestic liquidity. While there is no well defined relationship by which domestic liquidity can be shown to influence domestic spending in the short-run, it seems unlikely that growth could be long maintained in the face of a continuing decline in liquidity unless the banking system itself were willing to provide continuing finance for expansion.

To avoid confusion, this point requires careful formulation. It may be difficult to demonstrate that in the short-run banking policies have any effect on particular spending decisions. It has also been true that the banking system has been willing to cushion the economy against short-run fluctuations in liquidity. Moreover, even in the long-run there will be considerable adjustments in the domestic monetary system, with the expansion of commercial banking, the appearence of other financial institutions and a growing elaborateness of the credit structure. Therefore there can be no expectation of a stable velocity even in the long-run. Nevertheless continued economic expansion without a corresponding expansion in the money supply requires some combination of a falling price level and increasing income velocity of circulation. The first possibility is limited in an open economy with a fixed exchange rate.

Economizing on liquidity involves costs, even if there is induced institutional change. Thus there is the possibility not only of the effects of high interest rates, but also of a direct liquidity effect on the willingness to invest and the banks willingness to lend. Unless it is assumed that there is an infinitely elastic velocity of circulation the domestic money supply must be viewed as a potential constraint on expansion. Strength is lent to the point by the size of imports relative to total expenditures. If any significant part of the import bill were financed by cash outflows the cumulative effect would soon make a considerable difference to the domestic liquidity situation.

The picture which emerges can be stated in outline form as follows. There are constraints on domestic activity described by domestic capacity and the ability to import. If domestic capacity is fully utilized, then it would be possible to transfer the source of supply to the import bill. This process is, in the underdeveloped state, assymetrical, because of the lack of domestic capacity in some lines of production.

The maximum achievable rate of growth will be determined by the expansion of the constraints. Two strategic factors determining the expansion will be the growth of export earnings (and foreign exchange transfer) and the expansion in the domestic capital stock. The productivity of the capital stock, however, will be influenced by the availability of skilled manpower.

Limitation of the rate of growth of the domestic capital stock will depend upon the saving propensities, import propensities and the two basic constraints. As some of the investment will generate part of its own foreign exchange needs, one apparent limit on the growth of capital will adapt itself to some extent to adjustments in investment spending. It is therefore not possible to define a maximum rate of growth of the capital stock, dependent on a simple combination of parameters, à la Harrod -Domar.

On the demand side of the model the argument is quite dependent on the analysis offered in the discussion of short-run income determination. From that discussion it is clear that it would be unwise to attempt to incorporate a predominantly endogenous investment theory even into this simple outline.

Export earnings clearly play the key role both because of the previously identified importance as a straightforward demand factor and because of the additional role taken on as a determinant of the foreign exchange constraint. Export earnings are dependent on agricultural outputs and prices. Price trends are largely externally determined. For the larger scale commercial farming activity outputs are likely to respond to price changes with lags depending on the production process and to expand over time as a result of investment decisions, expansion in manpower and improvements in technique not substantially different in principal from non-agricultural output changes.

The incorporation of peasant farming into this account presents some difficulties. Peasant agriculture is important both as a prime source of export earnings and as a source of domestic food supply. For given externally determined price trends, the growth in export crop production will determine the rate of growth of export earnings. Moreover, the potentiality exists that the supply of domestic foodstuffs can act as a break at some stage, either in the sense that a limit is placed on the degree to which labour can be withdrawn from peasant agriculture, or by increasing food import needs. In the period under consideration the second of these two effects can be neglected as a fundamental constraint, although short-run effects derived from adverse climatic conditions have occurred.

Although peasant output is important, its determinants are not easily treated with a standard economic approach. It is not possible to relate limitations on output either to an identifiable capital stock or to a definable aggregate labour input. Peasant agriculture makes little direct use of current output, as typically measured, for purposes of capital accumulation. The method of organization makes it difficult to identify the amount of labour employed. Moreover, sensitivity of this form of activity to price changes has been a subject of considerable debate. For any treatment of future policy some headway must be made in analysing this type of activity despite these limitations.

(ii) Growth with structural change.

Development brings with it not only a growth in output but also changes in the composition of production and expenditures, movements in the location and employment of populations and shifts in the direction of trade. A considerable part of contemporary economic policy in East Africa is apparently, in the large, designed with a particular view of the structural change which will be a necessary feature of the next stage of development. Programmes of import substitution and industrial development, for example, are partly justified by the claims of industrialization for a strategic role in creating development.

Analysis of structural change has been furthered considerably by the international study of industrial structure, such as that undertaken by Kuznets and by Chenery. A word of caution is in order, however, regarding the two ready derivation of analytical conclusions from the empirical accounts. In any such studies there is a crucial idenficiation problem. For example, whereas there is an observed correlation between the level of development and the degree of industrialization, the direction of the causal link is by no means obvious.

In the East African case, the period covered by fairly comprehensive statistics (that is, since the early 1950's) is not long enough to observe in detail a process of structural change, for the evidence of the data suggests that during this period there was considerable stability of structure. It is clearly the ambition of the local economic planners that during a similar period of time in the future there should be a transformation far in excess of that achieved in the past, but the likelihood of these goals being achieved is very much a speculative matter, as has already been suggested.

The pattern of structural change during the period prior to the availability of aggregate data can be inferred in part from the fragmentary information which does exist and partly from knowledge of the structure during the period subjected to more detailed study. Mobilizing the available evidence, the following sketch may be put together.

At the outset of the colonial period the area which now forms the East African countries might be described as a number of closed economies, with little economic communication between each other or with the outside world. In the closed economy there is an identity between output and the use of goods. Agriculture is, at this stage, the predominant activity and is associated with low incomes as both a cause and an effect - the area is poor because of the limited development of things other than agriculture (indicating low division of labour and limited technique) and, on the other hand, because it is poor a large proportion of income is allocated to the consumption of food.

In terms of the classification suggested in the first section, the whole of economic activity is traditional African, with the absence of cash crop production. That was the situation at the outset of the colonial period. The situation at the end of the colonial period has been roughly described in the earlier discussion of structure. The past development of the East African economies is, from one point of view, the story of the evolution from the former of these situations to the latter.

The colonial experience, from an economic point of view, has a wide range of fascinating aspects. The task here, however, is not to set out a framework for a complete economic history, but rather to throw light on the origins of the current economic structure. For this purpose, a highly selective interest is appropriate. This interest can be focussed under four sub-heads, covering inter-related topics:

(a) economic integration;
(b) changing composition of demand;
(c) changing composition of supply;
(d) employment.

(a) <u>Economic integration</u>.

Economic integration in this case has two separate aspects: the domestic and the international. At the outset of the colonial period, East Africa had neither a highly developed international nor intra-national trade. Division of labour was little developed - not internationally, nor between the regions of East Africa, nor even within the immediate locality.

From a political point of view, there was integration into three states which, even if not as complete emotionally as administratively, nevertheless represented a transformation. This transformation had its counterpart in a slowly developing domestic economic integration. However, the growth of a domestic division of labour, with an expanded intra-national trade (or trade between the three countries), over much of the period was a less important feature of economic transformation than the participation in an international division of labour. Indeed, at times it would seem that the area might be viewed as a number of regions, isolated from each other economically, but each in turn integrated into a world market through the agency of international trade. The growth of domestic trade has followed the growth of international trade. There are numerous reasons for this, some of them perhaps implicit in the colonial relationship.

Quite apart from an analysis of the particular circumstances, however, two general reasons help explain this sequence of development. The comments above regarding the nature of a closed, poor, economy indicate that although within such an economy there is little division of labour it is, taken as a whole, a highly specialized economy. It specializes in agriculture and poverty. It is because everyone is engaged in agriculture that there is little basis for domestic trade. For the same reason, however, there is a basis for international trade, provided interest can be shifted to those crops which can find an export market.

If, in addition, an expatriate community is created through the attractions of a land alienation policy favourable to their interest, the basisfor agricultural specialization is reinforced.

On the demand side the pattern of specialization arises because the increase in wants, when it occurs, is not for those commodities already locally produced, which may still be met within the subsistence system, but is rather for new commodities different in kind from the range previously consumed. These new commodities may replace traditional commodities, but in some instances they may take the form of the introduction of needs not previously felt. The involuntary "consumption" of government services, paid for through taxes, might be viewed in this light.

Trade does not only take place in commodities; at the early stages, the growth of domestic inter-dependency will be much more apparent in the growth of services, both ancillary to the emergent state and integral to the expanding international trade in commodities. The first important increase in the internal division of labour, therefore, does not take place through the manufacture of commodities or through domestic agricultural exchanges, but is rather concentrated in the development of commerce, transport and governmental services as specialized activities.

This pattern is to be compared with the colonial patterns in which the initial intrusion occurs into an economy with an existing division of labour established around a domestic craft industry. In such a situation the introduction of international trade may in some directions reduce the range of domestic economic activities by damaging the local craft production through the competition with manufactures (e.g. as was the case to some extent in India). Whereas in East Africa some local crafts may have suffered from the introduction of imported manufactures, these crafts do not seem to have provided the basis of a substantial and extended division of labour in the pre-colonial period.

Integration has other aspects. The degree to which labour markets extended over wider geographical areas is an indicator of the success in extending the geographical mobility of labour. Also, there was a diffusion of technique, both internationally and within East Africa, particularly with regard to the introduction of new crops.

As the levels of output increase and the range of commodities consumed domestically increases, the character of the international division of labour to which East Africa was a partner becomes potentially a matter of choice. It becomes conceivable that a much wider range of commodities could be manufactured domestically, thus increasing the range within which East Africa specializes. Where its initial comparative advantage was extreme and unavoidable, now it appears dictated by the nature of existing trade, susceptible to change if those patterns could be altered by some considerable but feasible re-organization.

One way of looking at the crucial importance of the growth of international trade is to note that its appearance breaks the link between the composition of domestic demand and supply. In the closed economy, a good could not be supplied unless the technique and a sufficient market were locally available. Also, the structure of domestic supply was completely determined by the local demand. International trade breaks that link. The returns from this in the peasant economy are not so much increased productivity from specialization, for as has been seen the increase in the local division of labour is limited, but rather the expansion in output of products, the local supply of which proves elastic but for which the local demand is quite limited. The gain may therefore come through an increased supply of effort rather than an expansion of productivity. With the growth of an expatriate agricultural enclave productivity may have increased as a result of improvements in technique but the benefits of their development to the local community are problematical.

At a latter stage, the potentiality for changing the pattern of international specialization is realized, with the creation of the domestic manufacture of goods previously imported. This creates a new type of activity, involving a greater division of labour, capital investment, and level of technique than that available in the traditional agriculture. This involves an increasing degree of domestic economic interdependency pari passu with a decline in the degree in international economic integration. From this point the explanation of the industrial structure becomes less and less the inevitable result of the initial starting-point, and more and more the result of a series of particular responses to the possibilities provided by a varied local market.

(b) The changing composition of demand.

Change in the composition of domestic demand results from three influences: increasing levels of income, the introduction of new commodities through the agency of international trade and from the changing composition of the population.

At the earliest part of the colonial period the effects must have been most startling, with the creation of new types of consumption and the intrusion of new communities. Subsequently, the existance of expatriate enclaves provided a market for services and commodities of quite a different kind than that sustained by the local population.

Because of the continuance of subsistence production as the source of many of the basic necessities of life, a high proportion of cash expenditures from African incomes must always have gone to imported manufactures. Because of the lack of data, it is difficult to substantiate what happened. Currently, cash expenditures do occur for food items even in the rural areas - such items as tea, sugar and salt being quite evidently purchased. Nevertheless, it remained true by the end of the colonial period that the bulk of the food needs of the rural population were being met from subsistence production. Urbanization, however, creates a market for foodstuffs on a cash basis.

Here there is a considerable contrast between the three countries. In particular, Uganda contrasts with Kenya, for in the former, development took place much more through the agency of expanding peasants productions whereas in Kenya the creation of a landless class of Africans, and the high proportion of cash income commanded by non-Africans created quite different patterns of demand.

The introduction of new commodities is a continuing process, radio and even televisions becoming a potential part of the consumer budget in the same fashion as consumer textiles did in a previous period. Because of the high degree of self-sufficiency in producing non-durable necessities it seems that it is always possible for a high proportion of even the low cash incomes of the small peasant producer can be allocated to semi-durable and durable consumption goods, such as textiles, corrugated iron rooves etc.

For the future, the displacement of the expatriate by a new class of high income earning Africans, the growth of an urban working class, differential income elasticities among existing rural consumers and further introduction of new commodities will all have their effect.

The role of export demand need not be dealt with in detail here. Its importance as a major exogenous influence at all stages has already been influenced. In this context, major and permanent shifts in the relative price of exports could induce major structural changes, by changing the composition of agricultural output while the level of exports price will influence the balance between export and domestic expansion in the development strategy.

Because of the immature state of the industrial structure the local market for intermediate goods grows only slowly with the introduction of consumer goods industries. The small degree to which agriculture utilizes manufactured imports limits the demand for intermediate products from this direction.

The final element in the composition of demand takes the form of investment goods. For much of the colonial period, major investment is in social overhead and service industries - the creation of commercial centres, the development of the transport system. Machinery imported is larger transport equipment or agricultural processing machinery. At a later stage, however, with the infant development of local industry, there is a growing import of manufacturing equipment.

What is the importance of the changing composition of demand? By determining the size of local markets for particular products it will determine both the changing pattern of import dependency and also the evolving potentialities for the creation of domestic industries.

(c) The changing composition of supply.

The composition of domestic supply can differ from the domestic demand through the intervention of imports and exports. At the early stages of development there is a process afoot which creates and increases the deviation between domestic supply and demand. The process of industrialization and import substitution, begun at the end of the colonial period, and the major ambition of policy in the immediate post-colonial era, reverses this trend.

Some of the patterns have already been outlined. At the outset, onto existing production an export cash crop industry is grafted, either in the form of peasant production or in an expatriate sector.

Perhaps the most important point of contrast throughout the colonial period between the three countries was in their differing patterns of agricultural development. Although this can be explained in part by the difference in climatic conditions creating differing potentialities, the most important cause of variation was the differing roles played by the non-African and the concomitant differences in agricultural policy. The differences in structure at the end of the period have already been mentioned, but alongside these there was throughout the historical development differing performances and policies. As this variation in the organization of agriculture was mirrored by a difference in the demand for food products, the contrasts in the pattern of production were re-inforced. Ancillary to the agricultural development there is a growth of transport and commercial services, which also meets domestic consumption needs through service of the import trade. These services were provided to disproportionate degree by the Kenya economy not only because of the simple facts of geography but also because of the concentration of the expatriate community in that country.

A widening range of consumption needs will include some items inherently supplied locally, particularly in the form of services. Even here, however, import content may be maximized, with the expatriate community using overseas educational services and financial institutions. Nevertheless, there will be an expanding set of service industries, supplying local needs as well as servicing international trade.

The growth of the production of commodities to satisfy local markets may be seen as a result of two processes. There is a growth of manufacture of commodities satisfying needs previously met from local production of a subsistence or craft character. Manufacture is also undertaken of commodities previously supplied by the import trade.

In the former case it is, of course, quite difficult to identify the degree to which an expansion in recorded output represents a real growth in production and the degree to which it merely represents the monetization of subsistence production or the displacement of unrecorded local cash transactions. An interesting example of this has been the notable expansion of the brewing industry during recent years. A large part of the recorded increase in output must be displacing the more traditional brew, produced on a small scale and sold locally, the output of which has never been recorded in any accurate fashion. Likewise, the expanded domestic sales of processed foodstuffs (e.g. maize meal) must represent in part a process of monetization.

Even though the production of beer, the sale of cement for housebuilding, the large-scale processing of staple foodstuffs, and so on, all to some degree exaggerate the growth in real output, their expansion does register the considerable change in the character of supply.

Insofar as such changes occur through the agency of the growth of fairly large scale operations, they may be observed and recorded. What is much more difficult to record is the degree to which there has been an increasing division of labour on a small-scale and quite local basis. Thus to the traveller in East Africa the sight of the tailor operating his sewing-machine is familiar even in the remote village. There is no pretense that this kind of activity is measured in the existing economic statistics, and there is even less historical evidence regarding the growth of such specialization. The step from subsistence activity to local cash transactions, with the growth of minor repairs, specialized services, local beer brewing, maize milling, jaggery production, the employment of labour in hut-building, etc., is unrecorded. Even the current boundaries between subsistence and cash activities is not carefully identified. An important aspect of the process of economic transformation therefore cannot be chronicled with any accuracy and awaits the future attentions of some painstaking and ingenious historian.

The process of import substitution results from a confluence of conditions. The market must have expanded sufficiently to provide a market for anviable size of industry. An entrepreneurial element must be present, although this could originate from the public authorities. Also the local industry must either receive the natural protection provided by a high transport cost content or the defense of a tarriff. The latter is so important for most mass produced consumer goods that public policy is crucial element in the equation. The existence of the influential expatriate community in Kenya both determined the location of the most important industrial development there and provided the political influence necessary for the creation of protection. However, because of the importance of the expatriate agricultural community it may be supposed that there were strict limits to the degree to which industrial protection could be mounted at the expense of agriculture.

The possibilities of import substitution exist initially in the consumption goods industries and in the production of materials for the construction industry. The immature state of the existing industrial structure limits the possibilities of producing intermediate goods. The initial stages of evolution of large scale industry therefore involve a very limited degree of domestic inter-dependence. In some cases there may be a substantial degree of integration within the new industry from a domestically produced raw material to a final product. More typically, intermediate inputs are imported.[13]

A further possible avenue for structural change in the processing of commodities arises in the export markets. Outside of a limited range of food products, there is little evidence that this has been an important element in the past, as the major part of East African exports are still shipped in a very early stage of processing.

13. My paper for the E.A.I.S.R. Conference 1963-64 indicated the very limited degree to which even in Kenya, with far the most elaborate industrial structure, there was yet much use of domestically produced intermediate goods. The major exception is the case of building materials. See "The Structure of the Kenya economy" B. Van Arkadi: E.A.I.S.R. Conference 1963-1964.

The evolution of the supply of services will be largely in response to changing patterns of consumer demand and to the changing structure of international trade and industry. However, even here a process of import substitution is possible. The provision of educational services previously sought abroad, and the creation of local financial institutions are examples of "invisible" import substitution.

Even without industrialization as such, the expansion of services resulting from rising incomes will decrease the role of agriculture in total product; the increasing sophistication of agriculture technique and increase of purchased inputs into farming will have a similar effect. Therefore, a decline in the relative role of agriculture as a contributor to total value added will be characteristic of economic expansion even without the development of domestic industry as such.

The degree to which a change in industrial structure changes the character of international trade will depend partly on the degree to which the changing markets size shifts the comparative cost advantage towards local production rather than imports, partly on the extent that the spread of technique and the development of a local infra-structure reduces local costs and partly on the degree to which tarriff protection is awarded (either as the result of the choice of a development strategy or as a response to local political pressures).

(d) Employment.

The changing character of the labour force can be described in terms of two features - the changing amount and duration of unskilled and semi-skilled employment and the changing supply of highly trained manpower. The colonial regime introduced both wage employment and an expatriate manpower element.

In a crude sense, the colonial period might be divided into two sub-periods. There was an extended period during which paid employment was expanding, often with difficulty resulting from the lack of enthusiasm of the local people to change their work patterns and therefore often as a result of official persuasion and direction. The development of employment was combined with a considerable migration of labour, perhaps one of the most important forms of economic integration during this period. This increase in employment took the form both of the translation of many peasants into the role of agricultural labourer and a slow emergence of an urban labour force.

By the end of the colonial period a substantial transformation took place. For the period for which statistics are available, expansion in employment has been sluggish or non-existent and the supply of jobs is less than the demand for employment. The fundamental change has resulted from a change in aspirations on the part of the population, at the same time as an increase in labour productivity among the existing employed labour force. Employment, having risen to a quite small proportion of the total potential, stabilized and shows little sign of increasing. Indeed, in the immediately recent period that proportion shows great difficulty in holding its own.

Again, much can be inferred, but less demonstrated. Over the years, the commitment of the work-force to permanent employment has increased, average experience lengthened and skills improved. Evidence on the characters of these changeswill no doubt be provided as a result of the work of the urban sociologist. It must be expected that the major towns of East Africa currently represent different stages in this process, with Nairobi providing the most developed case of a urbanized community, resulting not only from the nature of Nairobi as a city but more importantly from the rural circumstances from which the townsmen have been recruited.

Until recently, the supply of highly trained manpower has been drawn from the expatriate communities. This has had three important results.

The distribution of expatriate communities throughout East Africa, itself a result of the pattern of colonial development, has been a crucial element in determining the different economic structures. The importance of this point has already been emphasized. The difference has had two sides. The availability of managerial skills, the settler domination of policy, and the land alienation policies of the colonial administration, all contributed to the special character of Kenyan development. Also, however, this has resulted in a different pattern of services, with elaborate provision for the needs of an expatriate minority of a kind quite different than would be demanded by the local population.

The dependence of East Africa on expatriate sources for skilled personnel has also been an important element in determining the salary structure. The ranks filled by Europeans would require compensation comparable with scales determined in a European labour market. This salary structure has been continued in the post-colonial period in a situation in which the local personnel inheriting these posts have alternative employment opportunities largely defined by the local employment market.

Further, there are a number of other implications arising from the displacement of the expatriate community in the post-colonial period. The new African class of highly trained manpower may, from some points of view, simply emulate their European predescessors. However, in many significant characteristics it may be speculated that considerable changes will take place. Pattterns of consumption will, in some particulars, surely alter. Also, however, the relationship between this new class and the rest of the population will be quite different than that of the previous alien minority. The demonstration effect on the aspirations of the ranks just below, that expanding class of semi-skilled, small businessmen, clerical grades and so forth, may well be more considerable than that of the European, precisely because access to that style of living is no longer automatically barred on grounds of race.

The shift is from a situation in which the supply of skills was institutionally limited by the size of the expatriate community and in which division of function was alrgely along racial lines, to a situation in which there is potentially much more job mobility within the African population. The movement represents an increasing possibility of satisfying the aspirations for economic advancement of the local population at the same time as there is a vigorous expansion in the extent of those aspirations.

From another point of view, however, it also creates a situation where initially a considerable part of the effort initially must be put into replacing expatriates rather than creating net additions to the stock of skilled manpower.

The combination of these effects creates a changing balance in the industrial structure, which can be described in terms of changes in the relative importance of the sectors identified in the first part of this paper. This change in structure will, in turn, effect the character of the income determination mechanism described in the second section of the paper. For example, the relative importance of the exogenous variables will change as the role of foreign trade is modified. The degree of economic inter-dependence in the domestic economy will increase, as the industrial structure becomes less agricultural.

In addition to the changes set out, specifically related to the industrial and employment structure, there will be certain institutional effects which may be important in changing the behaviour of the economy but which cannot be subsumed under these categories.

The most important will be change in the political framework, which will effect the behaviour of government spending, the tax structure the public regulation of economic activity and the character of the financial ~~institutions~~. All these changes will influence the behaviour of the economy, although in a direct sense they involve no necessary change in the industrial structure.

A further influence of potential importance is the change in the ownership of assets. In a very direct sense this is associated with change in organization in agriculture, where land ownership is such an important determinant of organizational forms. Outside agriculture ownership can be important, particularly in determining the susceptibility of financial and investment decisions to external influences and the reactions of resident alien communities.

(iii) The social determinants of development.

Even when flesh is added to the skeleton set out in the preceding pages, there is still a sense in which such an account will seem depressingly incomplete as an explanation. The discussion is mechanical and descriptive - a response to external stimulus is described rather than explained. There is a point at which economic analysis seems to stop in treating the differences in response to opportunities available in the various development situations, which leaves it, in the last analysis unable to explain why in one situation an opportunity is seized whereas in another it is neglected.

Indeed, to those involved in other social studies, it may well seem that the essence of economics is to avoid the profound problem by assumption, so as to apply high-powered analysis to trivia. To ask why one economy is likely to develop and another not is to involve not only the methodological difficulties already suggested, but will also lead to perilous adventures beyond the boundaries economists now choose to set for themselves. Such adventures are within the tradition of Schumpeter, and even Adam Smith, but are slightly suspect in contemporary academic economics.

The scepticism has a legitimate component. The study of whole social systems demands a breadth which few possess, the absence of which leads the student into a naivety about subjects outside his purely professional competence. Moreover, in practise the achievements of those economists who have made the attempt have not been encouraging. This is the case with the recent work of Everett Hagen, while the work of the Harvard entrepreneurial school of economic historians is of interest, it hardly achieved the ambitions goals its leaders had in mind. The classic debate over the relationship between the potestant ehtic and the rise of capitalism was mainly the concern of historians, sociologists and theologians.

Nevertheless, even if the economist is probably ill-qualified to undertake the major work in this field he must at least attempt to take account of the judgements and understanding of those better equiped. This will be much more necessary in some areas than others. In the broad perspective being attempted in this study interest is not so much on the diversity of behaviour to be found within traditional African society, so much of interest to the anthropologist, as in the factors of pervasive enough currency to influence the overall performance of the economy.

In East Africa, it is both true that there were differing reactions to the possibilities of change, of introduction of new crops,and adoption of new patterns of living beyond those which can be explained by variations in the form of the external stimulus. More, some degree of generalization may be possible, in a rough fashion, about the quality of the East African response as compared to that in other societies facing a similar colonial experience. Similarly, the role of alien cultural minorities, the impact of nationalism, the emergence of an urban population and of local trained elites- all these factors have had, or will have profound effects on the possibility and the pattern of development. Even if the economist does not address himself to the study of such questions per se , aspects of their influence intrude into his basic data. Inevitably, however, this part of the study will be about that which the economist feels least secure and most dissatisfied with the results.

Insofar as the social and political factor is treated it is most appropriately introduced as the analysis proceeds. At each point, the social and political influences on economic behaviour can be suggested. However, particularly in addressing an audience outside East Africa, unfamiliar with the basic facts of the local circumstance, it is appropriate to provide an outline of some of the major characteristics which are of underlying importance in summary form. What is the appropiate form of such a summary? An initial basis for distinction is partly chronological. The tradiditional environment, the colonial experience and the nationalist response could provide suitable headings.

There is a temptation to treat the traditional environment as a given, probably essentially similar in operation as other traditional societies and possibly to be subsumed under some quite straightforward model of economic behaviour. There are four reasons why such a course should be avoided.

There is interest, per se, in extending awareness of the diverse character of traditional forms of economic organization. Possibly the term "traditional" itself is a misnomer, in that it suggests a prejudgement of crucial characteristics.

In the East African economy there is a considerable area, as indicated in the discussion of contemporary structure, in which the traditional continues into the present.

The traditional forms will also have influence on the pattern of modern development. The organization of agriculture, the labour market, the degree of economic and social mobility, the availability of domestic savings and entrepreneurial talent - all of these may continue to be influenced by the character of the traditional society even though it is in the process of transformation. New institutions created to serve the needs of development may be (and indeed should be) influenced by the existing institutions.

Finally, in a nationalist context, the traditional society, or, more exactly, contemporary interpretations of its nature, may be of ideological importance.

The diversity of tribal organization in pre-colonial East Africa suggests that generalizations regarding the traditional society are inappropiate. If the categories of the anthropologist are relevant, for example, then the tribes of East Africa would have to be divided between a number of different major headings. A detailed appreciation of this diversity would be relevant for an analysis of different regional patterns of development and is always useful as a guard against simplified generalization. Yet the following quotation from Aidan Southall suggests that there is enough uniformity, particularly in contrast to certain other traditional societies, for a characterization of the traditional social system to be appropiate:

"Main characteristics of the small society are subsistence economy, Simple technology, absence of written records and literature, very slight occupational specialisation and correspondingly little social stratification, hence high homogeneity and solidarity. Most African peoples conformed to this model before the colonial era, though there were significant borderline cases.

"The ancient state had a literate elite, however small it might be, highly specialised arts, crafts, political and ritual roles, wide divergences of wealth and clearcut social stratification. The ancient states of India, China, Egypt, Mexico, Peru and many others were of this type. Although the situation appears to be changing rapidly, this distinction is far from irrelevant to the present because the two types of Society still offer significantly different problems for economic development, if by this we mean sustained economic growth resulting from the efforts of the people." 14

What insight does this broad classification give into the problems of economic growth? It is clear that there is no straightforward identification of each model either with a particular pattern or with ease or difficulty of achieving growth.

Thus the "ancient state" might be able to use its existing urban development as the basis for the emergence of a modern economy and find, within its clear-cut social stratification,the basis for an effective class organization of industrialization.

An entrepreneurial class might be recruited from one of the traditional classes and the unequal division of income and wealth might provide the means of capital accumulation. Possibly such a society might more easily accept the wide class differences derived from the functional specialization of an industrial society.

On the other hand, resistance to social mobility, concentration of economic power in the hands of groups who might be the opponents rather than the harbingers of change and a functional specialization based on tradition rather than a technically determined division of labour might also be characteristics of such societies.

By contrast, the model of the small society suggests a greater social mobility and a greater openness to foreign influences. The absence of existing national consciousness or of classes extending beyond the tribal boundary means that when, at a later stage, an organized effort for national economic development is made it cannot build simply on traditional institutions and loyalties, although on the other hand it is not faced with a nationally based opposition to change.

Because the "small society" is not coincident with the modern state, it is difficult to mobilize particular information for the subject at hand. Arguing by analogy from the characteristics of the traditional societies to the behaviour in the modern state is not usually successful. Although the character of the modern state when it emerges will be conditioned by the nature of the traditional societies incorporated, it will not be some copy, writ large.

14. AIDAN SOUTHALL "How Economic Growth Begins" EAER June 1964, p.23.

It is in consideration of patterns of agricultural development that awareness of the character of the traditional society is most valuable. Here, in many parts of East Africa, change has occurred by grafting new forms on the traditional structure. While the new urban working communities and the emerging elites will enherit something of the traditional [15] they are essentially creating the new, operating in an environment with little in common with that of the traditional society. On the other hand, change in the rural situation consists of modification, of varying speed and pattern, in an environment which retains many of the traditional characteristics. Here, the differing character of response is strongly influenced by the traditional institutions. The diversity persists, for the processes of transformation have only been at work for but few generations; indeed in some areas, some might claim that they have yet to be felt at all.

Because the development of an urban proletariate is still underway, the urban labour force can be described in terms of a continuum, varying from the established townsman, born to the city life, to the new arrival, still with his major stake, both emotionally and economically, in the rural society. Understanding of the behaviour of the labour force in the cities, the availability of labour and the demand for jobs, and the degree of commitment to permanent urban employment, depends therefore on an appreciation of the rural environment from which much of the urban population has yet to make a complete break.

Some suggestion of the relevance of the colonial period has already been made. In the East African case there is an interesting comparative element, already suggested at many points, in which the boundaries between the three East African countries assert themselves as relevant divisions from the point of view of economic study. The three countries present unusually different stories of colonial administration, for countries in such close proximity and with much in common in so many other ways.

Retrospectively, one of the most important gifts of the colonialists was to create a national consciousness and a modernizing ambition in reaction to it.

In the East African experience, it might even be suggested that the strength of the nationalist rection and the degree of national unity is in proportion to the negative character of the colonial experience.

The period now arrived witnesses the impact of that nationalism on economic policy. At the same time there is a slow emergence of national classes and urban communities which will, in the long run, provide the more solid realization of the national consciousness, which currently seems precarious when in conflict with the prior loyalities to tribe. The pulls and stesses on economic policy in these new states will be on the one hand tribal and regional, representing the traditional loyalties, and on the other, class oriented, representing the interests of new social groupings.

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15. For example it is often argued that the obligations to the extended family of the new recruits to the elite will ameliorate the effects of the inequalities of income resulting from the continueance of the colonial salary structure. Although this may be of considerable symbolic significance in bridging the gap, casual evidence suggests that it is of only marginal quantitative significance.

In this situation, the rise in influence of the new classes may well precede the rise in their numerical importance, because of their strategic location in relation to the institutions of the state. Alongside this growth of sectional interests, the emergence of national parties might represent an independent and powerful influence particularly because of the immature nature of the development of nationwide classes.[16]

Because so much of the business organization has come in the past from the alien communities, which can hadly be expected to play the same role in the future, much of the success of the development ambitions of the new governments will depend on the emergence of an alternative source for this ingredient. Experience elsewhere suggests that this is more than a question of trained personnel, for it requires an ambition for, and conception of new economic ventures vigorous enough to maintain a momentum of innovation and change in the society. There is no necessity that this should come from a private source. Indeed, the ideological commitment to a one-party state and some (admittedly ambiguous) form of socialism would suggest that the party and the state could both make their contribution. But for the political mechanism to play that role it must have the personnel, as much as the private sector. While the fight for independence has created the parties, the struggle does not seem to have been the kind to provide the committed cadres, disciplined and purposeful, which could use the party to create an economic revolution. The ambition is there in the sense that the vision of the new society is part of the public ideology but it has yet to be demonstrated that there are, in practise the human resources to translate the ambition into practise, either in the trained personnel in the state, or in the cadres which emerge from the operation of the parties.

Once again East Africa offers some interesting contrasts. However, with the passage of time both the political and the economic problems seem to become more similar, indicating that these countries share their futures even more than their pasts. The combination of the ambitious development programme with the one party state suggests a mutual justification- the one party state as necessary for mobilization and the ambitious programmes resulting from the drive of the party. Against this, it might be argued that the paucity of the political cadres and the very limited structure of the state might make such an evolution premature, with the risks that the disadvantages of one-party government might be experienced with the reward of the claimed mobilization efforts. In such a situation the political institutions might become a barrier to development. Even the defendors of one-party mobilization for development must admit the possibility of the premature one-party state.

Whereas the economist must turn to the anthropologist and sociologist for help in understanding the influence of the traditional society, he must draw on the support of the student of politics to aid his understanding of many modern developments.

The previous points have suggested that a critical factor in the future is likely to be the ability of the party to carry out its objectives. The character of those objectives is also likely to be important. It has already been suggested that the parties ruling these countries will be, in principle, strongly committed

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16. Henry Bienen is currently working on the role of TANU in Tanzanian development. It is to be hoped that as the political situation develops in Kenya and Uganda similar studies will be undertaken of those countries.

to development as an objective. Given that general commitment there is a wide range of possible ideological variation. This is important to recognise, for the commitment to development is still essentially one of principle and has not yet, for example, been translated into major economic sacrifices in furtherance of the objective.

This is a point at which concern is very much with the future. In East Africa, as much as any place, there is often a gap between the public ideology and the real commitment to that ideology as exhibited by practise. There are potentially three ways in which ideology may influence development in the coming period.

The degree of commitment to development and the disciplined apparatus to translate that commitment into practise will determine the willingness of the public authorities to sacrifice other, often more immediate, objectives in the interest of development.

Ideology may also influence the character of the development which is being attempted; it may have a significant effect on the choice of development strategy. The role of industrialization, for example, may be strongly influenced by an ideological commitment which transcends the simple weighing of costs and benefits. This will be particularly true of the relative role assigned to public or private activity and to African or non-African interests.

Finally, given a strategy, the detailed means chosen to pursue that strategy may be influenced by ideology. Direction of labour, freedom of trade unions, willingness to expropiate underutilized resources - at these and similar points the policies available to the public authorities will be defined partly by the ideological commitment of the government.

The role of politics can be so pervasive that it seems unlikely that a satisfying explanation of structural change could be achieved without allowing for that factor. The evidence that does exist of a wide range within which East African economic judgements seem to be predominantly pragmatic, may suggest that this is not yet a dominant influence in changing the direction of development. For the future, it may be otherwise.

TABLE 1 MONETARY G.D.P. AT FACTOR COST AND TOTAL DOMESTIC EXPORTS, 1954-62, in £'million.

	1954	1955	1956	1957	1958	1959	1960	1961	1962	(1963)
KENYA.										
Monetary G.D.P.(A)	112.5	134.7	145.2	154.2	155.5	161.8	175.3	176.8	180.0	
Domestic Exports (B)	20.3	25.7	29.0	26.4	29.3	33.3	35.2	35.3	37.9	43.8
B% of A	18.1	19.1	20.0	17.1	18.8	20.6	20.1	20.0	21.1	
UGANDA.										
Monetary G.D.P. (A)	92.8	102.0	102.8	109.4	106.3	107.7	110.5	111.7	106.4	
Domestic Exports (B)	40.6	41.9	40.4	45.9	45.4	42.1	41.6	39.2	37.6	51.5
B% of A	43.8	41.1	39.3	42.0	42.7	39.1	37.6	35.1	35.3	
TANGANYIKA.										
Monetary G.D.P. (A)	79.1	81.8	89.3	92.9	97.9	106.2	114.4	113.5		
Domestic Exports (B)	36.2	36.2	44.9	39.4	41.7	45.3	54.9	48.6	51.2	63.6
B% of A	45.8	44.2	50.3	42.4	42.6	42.7	48.0	42.8		
EAST AFRICA.										
Monetary G.D.P. (A)	284.4	318.5	337.5	356.5	359.7	375.7	400.2	402.0		
Domestic Exports (B)	97.1	103.8	114.3	111.7	116.4	120.7	131.7	123.1		
B% of A	34.1	32.6	33.9	31.3	32.4	32.1	32.9	30.6		

Source: Statistical Abstracts of Kenya, Uganda and Tanganyika.